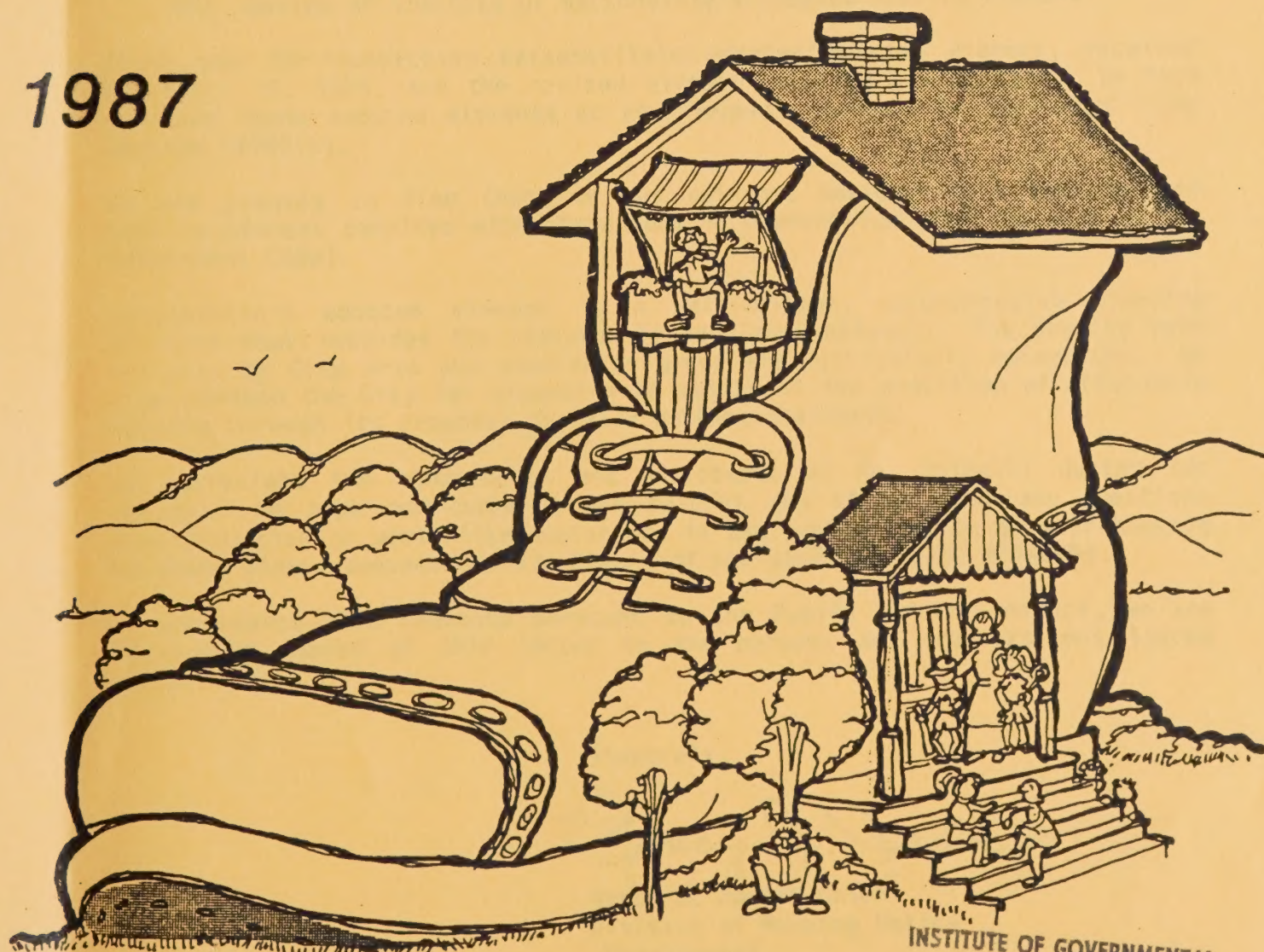


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city
of
watsonville

HOUSING ELEMENT

1987



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DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Division of Housing Policy
Development
921 Tenth Street
Sacramento, CA 95814
(916) 323-3176



June 29, 1987

SY _____

Mr. John Radin
City Manager
City of Watsonville
P.O. Box 430
Watsonville, CA 95077

Dear Mr. Radin:

RE: Review of the City of Watsonville's Adopted Housing Element

Thank you for submitting Watsonville's adopted housing element, received September 15, 1986, and the revised element received May 4, 1987. We have reviewed these adopted elements at your request pursuant to Government Code Section 65565(c).

We are pleased to find that, in our opinion, Watsonville's 1987 adopted housing element complies with State housing element law (Article 10.6 of the Government Code).

Watsonville's adopted element is a well-written, comprehensive planning document that includes the statutorily required analyses. The housing need analysis by City area and population group are particularly noteworthy. We also commend the City for proposing to assist in the provision of affordable housing through its proposal to relax parking standards.

We appreciate the cooperation and assistance of Mr. Spinelli during our review. We hope our comments are helpful and if you have any questions regarding them or would like assistance in the implementation of your housing program, please contact Camilla Cleary of our staff at (916) 324-8659.

In accordance with requests pursuant to the Public Information Act, we are forwarding copies of this letter to the persons and organizations listed below.

Sincerely,

Nancy J. Javor, Chief
Division of Housing Policy
Development

NJJ:CC:bt

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
WATSONVILLE ADOPTING AN AMENDED HOUSING ELEMENT
TO THE CITY OF WATSONVILLE GENERAL PLAN 1990

WHEREAS, the City of Watsonville adopted a General
Plan in 1969 for the City of Watsonville and the surrounding
areas of the Pajaro Valley; and

WHEREAS, Section 65350, Title 7, Government Code of
the State of California directs the Planning Commission to
prepare and the City Council to adopt any and all proposed
amendments to the General Plan in a manner therein prescribed; and

WHEREAS, Government Code Section 65302(c) requires
a Housing Element of the City General Plan as follows: "A
housing element, to be developed pursuant to regulations
established under Sections 50450, 50453, 50459 of the Health and
Safety Code, consisting of standards and plans for the
improvement of housing and for provision of adequate sites for
the housing needs of all economic segments of the community."

WHEREAS, the City of Watsonville has drafted a Housing
Element, amended to new State guidelines, and in conformity with
the applicable government code of the State of California; and

WHEREAS, the City Council of the City of Watsonville
has determined that the proposed Housing Element as considered
is found acceptable insofar as it applies to the City of
Watsonville General Plan 1990 and the element will provide
beneficial goals and policies for the protection of public
health, safety, welfare and property in the City of Watsonville
and its environs and that adoption of this element is in the
public interest.

1 NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL
2 OF THE CITY OF WATSONVILLE, CALIFORNIA, AS FOLLOWS:

3 That the amended Housing Element attached hereto as
4 Exhibit "A" and incorporated herein by this reference, be
5 adopted as part of the Watsonville General Plan 1990.

6 *****

7 The foregoing resolution was introduced at a regular
8 meeting of the Council of the City of Watsonville, held on the
9 27th day of May, 19 86, by Council
10 Member Clark, who moved its adoption, which
11 motion being duly seconded by Council Member Ingersoll,
12 was upon roll call carried and the resolution adopted by the
13 following vote:

14 AYES: COUNCIL MEMBERS: Carroll, Clark, Deretich, Ingersoll,
15 Marsano, Murphy, Soldo

16 NOES: COUNCIL MEMBERS: None

17
18 ABSENT: COUNCIL MEMBERS: None.

19
20 Ann M. Soldo
21 MAYOR

22 ATTEST:

23
24 Lorraine Washington
25 City Clerk
26
27
28

City Council

Betty Murphy - Mayor
Tony Campos
Gwen Carroll
Rex Clark
Vido Deretich
Joseph Marsano, Jr.
Dennis Osmer

City Manager

John Radin

Planning Commission

Nat Bua, Chairman
Luis DeLaCruz
Charles Reinhart
George Sakata
Marie Williams

Planning Director

Anthony J. Carney

Planning Staff

Doug Spinelli, Assistant Planning Director
Maureen Owens, Associate Planner
Warren Freeman, Associate Planner

Adopted by City Council May 27, 1986

Certified by the State of California June 29, 1987

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I. INTRODUCTION

The preparation of this housing element for the City of Watsonville has been undertaken as part of a comprehensive general plan update. Upon adoption, this element will become part of the Watsonville general plan. This housing element has been drafted in full recognition of California policy for housing, provisions of the 1985 edition of California Planning, Zoning and Development Laws, and the preferred course of future community development that the historic City of Watsonville has selected to follow.

Upon adoption by the City Council, this element of the General Plan will serve as a blueprint for action. It will provide a guide to the city for the conservation of existing housing and for the development of new housing opportunities.

This element is Watsonville's response to the basic housing goal of the State of California which is the "early attainment of decent housing and a suitable living environment for every California family."

This Housing Element is a revision of the 1982 Housing Element. It has been organized into six sections:

- | | |
|-------------|---|
| Section I | Introduction, citizen participation, summary of housing policies, and housing geography |
| Section II | Characteristics of the Watsonville population. |
| Section III | Analysis of households with special needs. |
| Section IV | Analysis of the housing stock. |
| Section V | Projection of housing needs. |
| Section VI | Policies and programs for implementation. |

A. Citizen Participation

Public review of the draft housing element was initiated by the Planning Commission in June of 1985. The document was circulated to interested agencies and members of the public. Community input was solicited at study sessions held on July 10th and July 24, 1985. A special study session was conducted by the Planning Commission on August 20, 1985. Newspaper ads in English and Spanish, were used to urge a wide range of public participation at these special study sessions. The draft was reviewed by the Planning Commission at a public hearing on September 3, 1985, and then submitted for review to the California Department of Housing and Community Development.

Advisory comments were received by the City on November 25, 1985. As a result of this review process, extensive revisions were made to the draft.

The City Council approved of the final draft at a noticed public hearing held on April 22, 1986. By Resolution No. 164-86, this Housing Element was adopted and made a part of the Watsonville General Plan on May 27, 1986. Additional review of this element will be provided for the Steering Committee that has been established to update the entire general plan.

B. Summary of Housing Policies

Part VI of this Housing Element contains the full housing policy statements that will serve to guide residential development within the City of Watsonville between 1986 and 1991. These policy statements are the result of a careful evaluation of previous policies found in the 1982 Housing Element, and an analysis of housing development trends that have occurred between 1980 and 1985. In summary, these policy statements set forth a legislative direction to be followed by the staff, Planning Commission and City Council as they work toward the long range housing goal for Watsonville:

TO CREATE AN ADEQUATE SUPPLY OF SAFE AND AFFORDABLE HOUSING WITHIN A SATISFYING URBAN ENVIRONMENT FOR ALL CURRENT AND FUTURE RESIDENTS OF THE CITY OF WATSONVILLE.

To guide the implementation of this goal the City Council has approved and adopted the following policies for housing:

1. To provide an adequate number of construction permits so that new housing development will keep pace with population growth, new household formations and economic development.
2. The planning and development review process will not be constrained by any arbitrary system of annual permit quotas.
3. All residential development proposal of ten or more units may be required to prepare and submit brief marketing plans.
4. The City may encourage and request that affordable housing units be included in market-rate housing development projects containing ten or more market-rate units.
5. The conversion of rental units to owner-occupied units will be restricted unless thirty-three percent (33%) of the converted rental units are made available for owner-occupancy by households with low-moderate income levels.
6. Energy efficiency will be a required design feature in both new housing projects and in the rehabilitation of existing housing.
7. Secondary housing units will be allowed by conditional use permit on single family lots.
8. The City will participate in the Community Development Block Grant Program.
9. Mixed use, commercial and residential, projects will be encouraged and promoted in the central business district to expand housing supply.
10. Lands owned and acquired by the City will be given priority consideration for the development of low and moderate income housing.
11. Assistance and financial incentives will be provided to non-profit housing development corporations in an attempt to develop affordable housing.
12. New housing development will be restricted in areas classified as environmentally hazardous and designated for environmental management in the general plan.

13. Higher intensity of developed uses, including housing, will be encouraged and permitted on underutilized lands presently served with utility services.
14. The preservation and restoration of historic and architecturally significant buildings will be encouraged and financially supported by the City.
15. Equal housing opportunity and fair housing law will be enforced and promoted by City development policy.
16. The City will continue to disperse low and moderate income housing throughout the City.

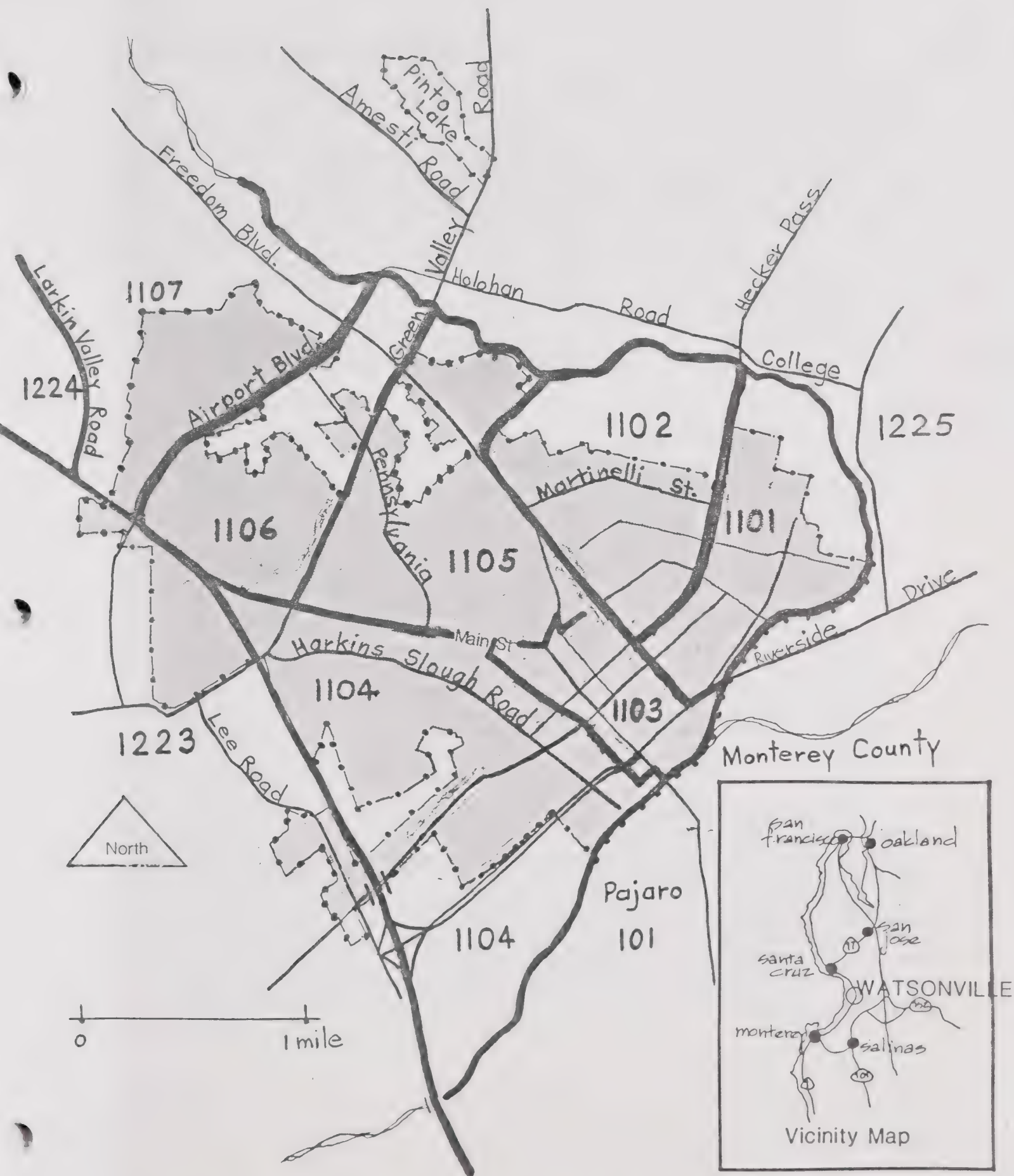


Figure 1 -- Watsonville Location Map

C. Housing Geography

Figure 1 on page 5 displays the geographic area that is of concern to the City of Watsonville. Three types of geographic units are depicted. They are: (1) the 1980 corporate city limits, (2) the 1980 census tract boundaries that form the statistical basis for comparison, and (3) place names that are commonly used to describe neighborhood areas. Table 1, below, shows the place names associated with individual census tracts.

TABLE 1
GEOGRAPHY AND PLACE NAMES
1980

| <u>Census Tract</u> | <u>Place Name</u> |
|---------------------|-------------------------------|
| 1101 | Salsipuedes |
| 1102 | Martinelli |
| 1102 | Central Business District |
| 1104 | Industrial & Westside |
| 1105 | Bernardo |
| 1106 | Green Valley |
| 1107 | Airport |
| 1223 | Harkins/Lee Road |
| 1224 | Larkin Valley |
| 1225 | Pinto Lake/Holohan/Kelly Lake |
| 101 | Pajaro (Monterey County) |

II. POPULATION CHARACTERISTICS

This section of the Watsonville Housing Element presents some of the demographic, social and economic characteristics of the population as they relate to the current use of housing. These characteristics change slowly over time, but as they change they affect the type of housing needed. A better understanding of current population characteristics and trends will make planning for future housing needs a more productive effort.

Between 1980 and 1991, the City of Watsonville projects a population increase of 9,692 persons. A population increase of 2,351 has been projected for young people age 0 to 19, 5,542 for working age adults 20 to 64, and 1,829 for senior citizens age 65 or older.

A. Demographics

Between 1960 and 1980, the population of Watsonville has increased by 10,250, an average of 513 persons per year. This amount of growth can be expressed as an average new housing construction need of about 200 units. From April 1, 1980, to January 1, 1985, the estimated population increase has been 2,723 persons, an annual average of 556. Over the last four years and nine months it appears that the population growth rate has been 2.4 percent per year.

This housing element and the housing program it contains, is based on a projected city population of 33,235 by April, 1991. This rate of projected growth allows for an increase of 6,969 persons over the six year period from April, 1985. At the same time it is anticipated that growth will continue in the urbanized area adjacent to the city (Freedom and Pajaro, both county unincorporated areas).

Population growth over the 20-year period from 1960 to 1980 shows that young people under 20 have grown at a rate below total population increase, persons aged 20 to 64 have grown at a rate equal to overall population increase, and persons 65 or older have increased at a rate almost double that of total population increase. These long-standing trends are likely to remain fairly constant during the 1980-1990 decade and can, therefore, be used to project the age group components of the population to 1991. Table 2 shows the past and projected population age group components for the city.

TABLE 2
PAST AND PROJECTED POPULATION AGE GROUPS

| <u>Age Group</u> | <u>CENSUS</u> | | | <u>PROJECTION</u> |
|------------------|---------------|--------------|--------------|-------------------|
| | <u>1960</u> | <u>1970</u> | <u>1980</u> | <u>1991</u> |
| 0 - 19 | 4,817 | 5,067 | 7,649 | 9,970 |
| 20 - 64 | 6,826 | 7,374 | 12,073 | 17,615 |
| <u>65+</u> | <u>1,647</u> | <u>2,128</u> | <u>3,821</u> | <u>5,650</u> |
| TOTAL | 13,290 | 14,569 | 23,543 | 33,235 |

Between 1980 and 1991, it is projected that young people 0 to 19 will increase by 30.3 percent, persons 20 to 64 will increase by 45.9 percent, and persons 65 or older will increase by 47.9 percent. Overall population growth is expected to be about 41.2 percent.

As of the 1980 census, the City of Watsonville provided one year-round housing unit for every 2.68 persons in the household population. By comparison, the County of Santa Cruz, had one year-round housing unit for every 2.29 persons in the household population. The average number of persons per household is much larger in Watsonville than it is in the surrounding market area.

There are some important differences between the age groups in the Watsonville population compared to Santa Cruz County excluding Watsonville (see Table 3). The proportion of young people ages 0 to 24 is 42.3 percent of total in the city compared to only 37.3 percent for the balance of the county. However, this pattern is dramatically reversed for adults aged 25 to 44. Within the city, only 23.9 percent of the population falls within this important age group. Persons aged 25 to 44 form the bulk of the labor force and generate housing demand by forming first-time families and second households by divorce. By contrast, persons aged 25 to 44 in the remainder of the county make up 33 percent of the population. Adults 45 to 54 are about equally balanced between city and county, representing 8 percent in both cases. The proportion of older adults, age 55 or older, is much higher in Watsonville at 25.8 percent, compared to 21 percent in the county remainder.

One conclusion for Watsonville that can be drawn from these 1980 population profiles is that as young people in the 0 to 24 age group move into the 25 to 44 age group, they may be leaving the city to seek employment and start new households. This conclusion is supported by the continuing high rate of unemployment and the available data on population mobility. This demographic trend can also be interpreted as a need for continued local economic development to provide more job opportunities for young adults.

TABLE 3
POPULATION DISTRIBUTION BY CENSUS TRACT
1980

AGE GROUPS

| <u>Tract</u> | <u>0-4</u> | <u>5-19</u> | <u>20-64</u> | <u>65+</u> | <u>TOTAL</u> |
|-------------------|------------|-------------|--------------|------------|----------------|
| 1101 | 255 | 587 | 1,882 | 958 | 3,682 |
| 1102 | 279 | 898 | 2,318 | 790 | 4,285 |
| 1103 | 551 | 1,129 | 2,284 | 467 | 4,431 |
| 1104 | 323 | 832 | 1,368 | 213 | 2,735 |
| 1105 | 542 | 1,064 | 2,585 | 1,129 | 5,320 |
| 1106 | 345 | 820 | 1,607 | 255 | 3,027 |
| 1107 | 3 | 22 | 27 | 5 | 57 |
| 1223 | - | - | 2 | 4 | 6 |
| 1225 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| City | 2,298 | 5,351 | 12,073 | 3,821 | <u>23,543</u> |
| City Percent | 9.8% | 22.7% | 51.3% | 16.2% | |
| ----- | | | | | |
| Co. Exc. | 10,182 | 34,330 | 99,009 | 21,077 | <u>164,598</u> |
| City | | | | | |
| County Percent | 6.2% | 20.9% | 60.2% | 12.7% | |
| ----- | | | | | |
| County Total | 12,480 | 39,681 | 111,082 | 24,898 | <u>188,141</u> |
| ----- | | | | | |

B. Households & Housing Payments

Every occupied housing unit is classified as a household. The 1980 census provides a number of characteristics about Watsonville households that have been used to evaluate housing problems such as overpayment and overcrowding. A household is considered to have affordable housing when the cost of monthly rent or mortgage does not exceed 25 percent of their gross monthly income. Overcrowding exists when a housing unit is occupied by more than one person per room after excluding bathrooms and kitchens. Overpayment and overcrowding are related. Most overcrowded housing is

renter occupied and most households paying more than they can afford are renters. Statewide, overcrowding appears to have declined as a housing problem but in Watsonville this problem persists. In 1940, the average household size was 3.4 persons, by 1970 it was 2.83, and as of 1980, it has remained at 2.83 persons per unit. State estimates for 1985 suggest that the average household size may have increased to 2.91 persons per unit.

Most households in Watsonville contain only one or two persons. Table 4 shows the distribution of housing occupancy as of April 1, 1980. While the number of large households represents a small share of the total, it is much higher in Watsonville than most localities in the Monterey Bay Area.

TABLE 4
HOUSING OCCUPANCY BY PERSONS PER UNIT
1980

| <u>Occupancy</u> | <u>Renters</u> | <u>Owners</u> | <u>Total</u> | <u>Percent</u> |
|------------------|----------------|---------------|--------------|----------------|
| 1 or 2 | 1,975 | 2,648 | 4,623 | 56.6% |
| 3 or 4 | 1,282 | 963 | 2,245 | 27.5% |
| 5 or more | <u>830</u> | <u>474</u> | <u>1,304</u> | <u>15.9%</u> |
| | 4,087 | 4,085 | 8,172 | 100% |

SOURCE: 1980 Census

While half of all households are renters, 64 percent of all large household, (five or more persons), are renters. Large households, low income, renter occupancy, and overcrowding are all significant demographic features of Hispanic households in Watsonville. This is also a reflection of the large share of Hispanic persons who are seasonally employed in agriculture and food processing. At least 17 percent of all Watsonville households live in overcrowded conditions and 80 percent of these households are renters. As of 1980, there were 1,383 overcrowded households. As of 1985, that figure may have increased due to continuing high rates of underemployment.

Most lower income households must pay more than 25 percent of their gross monthly income for shelter. This problem is especially serious for lower income renter households. Of the 2,590 renter households reporting 1979 incomes of less than \$15,000, at least 73 percent were paying rents higher than 25 percent of their gross monthly income. Having to pay too much for rental housing is a problem for most lower-income households.

Table 5 provides the distribution by income range and ethnicity of renters paying more than 25 percent of their gross income for monthly rent.

TABLE 5A
RENTAL COSTS AND OVERPAYMENT
1980

| | | <u>INCOME RANGES</u> | | |
|-------------------------------------|--|----------------------|------------------------|-------------------------|
| | | <u>\$0-9,999</u> | <u>\$10,000-19,999</u> | <u>\$20,000 or more</u> |
| White Households | | Number/Percent | Number/Percent | Number/Percent |
| 1. Paying up to 25% of gross income | | 200/19% | 435/52% | 506/95% |
| 2. Paying 26 to 34% of gross income | | 212/21% | 287/34% | 20/4% |
| 3. Paying 35% or more | | 622/60% | 115/14% | 5/1% |
| Hispanic Households | | Number/Percent | Number/Percent | Number/Percent |
| 1. Paying up to 25% of gross income | | 102/15% | 537/59% | 424/100% |
| 2. Paying 26 to 34% of gross income | | 128/19% | 282/31% | -/- |
| 3. Paying 35% or more | | 459/66% | 97/10% | -/- |

SOURCE: 1980 Census

In this 1980 Census sample of 2,402 White renter households, 48 percent have reported affordable rent levels below 25 percent of gross income, 22 percent are paying more than 25 percent but less than 35 percent, and the remaining 30 percent (742 households) are paying in excess of 35 percent of income for rental housing. 52 percent are paying too much for rental

housing and of these, 67 percent were earning under \$10,000 per year in 1979.

The sample size of 2,029 Hispanic renter households shows that 966 (48 percent) are paying more than 25 percent of income for rental housing. Of these 966 households paying too much for rental housing, 587 (61 percent) have reported incomes of under \$10,000.

Overpayment is less of a problem for lower income homeowners. However, it has been determined that at least 364 lower income homeowners are paying in excess of 25% of gross monthly income for monthly mortgage. About 80% of these overpaying homeowners are Hispanic.

TABLE 5B
LOWER-INCOME HOUSEHOLDS PAYING
IN EXCESS OF 25% OF INCOME FOR HOUSING

| LOCALITY | ALL LOWER INCOME HOUSEHOLDS O TO 80% OF COUNTY MEDIAN INCOME | LOWER INCOME RENTERS PAYING IN EXCESS OF 25% OF REPORTED INCOME | LOWER INCOME OWNERS PAYING IN EXCESS OF 25% OF REPORTED INCOME FOR MORTGAGE | OVERPAYING AS A % OF PERCENT OF ALL LOWER INCOME HOUSEHOLDS |
|----------------|--|--|---|--|
| Capitola | 2,284 | 1,168 | 165 | 58.4% |
| Santa Cruz | 8,683 | 4,507 | 890 | 62.2% |
| Watsonville | 4,212 | 1,765 | 364 | 50.5% |
| Scotts Valley | 853 | 203 | 74 | 32.5% |
| Unincorporated | 15,751 | 5,462 | 2,561 | 50.9% |
| Total | 31,783 | 13,105 | 4,054 | 54.0% |

Santa Cruz

1. 44% of all homeowners with less than \$10,000 annual income are paying more than 30%.
2. 77% of all renters with less than \$10,000 annual income are paying more than 30%.

SOURCE: AMBAG Regional Housing Needs Report, 1980-1990, p. 54, 3/14/84

Table 5B shows that 2,129 households in Watsonville are overpaying for housing. Of this total, 83 percent are renters and the remaining seventeen percent are homeowners.

C. Employment and Income

Employment, or rather the lack of it, can be described as a serious housing problem in Watsonville. As of 1980, over 13 percent of the civilian labor force was unemployed compared to just over 7 percent for the remainder of the county. While the labor force living in Watsonville made up only 11.3 percent of the total county labor force, the number of seriously under-employed persons* (1,486), accounted for 18.3 percent of all seriously underemployed persons living in the county (8,114).

The high unemployment and underemployment rate experienced by Watsonville residents is clearly associated with the high concentration of persons employed directly in agricultural production or in food processing. Close to 80 percent of all employment in agriculture is held by City residents of Spanish origin. Data provided by the California Department of Employment Development and displayed in Table 6 indicates that the unemployment picture in Watsonville today is worse than it was in the spring of 1980.

TABLE 6
UNEMPLOYMENT RATES
1984 - 1986

| | <u>1980</u> | <u>1984</u> | <u>1986</u> |
|-------------------|-------------|-------------|-------------|
| Watsonville | 13.1% | 14.6% | 15.1% |
| Santa Cruz County | 7.9% | 8.9% | 9.2% |
| California | 6.9% | 7.8% | 6.7% |

SOURCE: EDD, State of California

The high unemployment in Watsonville is reflected in the fact that in 1980 the City had a ratio of 1.11 employed persons per household compared to the balance of Santa Cruz County which had a ratio of 1.19 employed persons per household. The Association of Monterey Bay Area Governments (AMBAG), has prepared employment growth estimates for Santa Cruz County. The AMBAG projection is for a growth of 19,210 employed county residents between 1980 and 1990. This translates to a very conservative annual growth rate of 2.3 percent. This would represent a substantial slowing in the job growth rate of the 1970-80 decade, but it would be consistent with the county population growth control measure that has attempted to limit population growth to 2 percent per year or less.

*persons reporting to have been unemployed for 15 or more weeks.

It is an assumption of this housing element that both population and employment growth rates in Watsonville between 1986 and 1991 will exceed growth rates for the overall county housing market area. This assumption is based on actual development that has taken place between 1980 and 1985, and the extensive amount of development proposals now under consideration. Between 1986 and 1991, the number of employed persons living in Watsonville households is projected to grow by 4,000 to 4,500. This forecast will have the effect of increasing the ratio of employed persons per household from 1.11 (1980), to between 1.16 and 1.21. If this occurs, the effect will be to bring the jobs to households balance in Watsonville much closer to the existing jobs to household ratio experienced in the rest of the county. Not all of the job growth would occur inside the corporate limits of Watsonville, but to promote the idea of energy conservation, it would be desirable to have most of the new employment opportunities occur within a reasonable commute distance.

Household income is generally a good indicator of the ability to afford adequate housing, but not in all cases. Some lower income homeowners are living in houses that are paid for and some lower income renters are living in units where no cash rent is required. In addition, about 300 lower income renters in the city are being helped to pay for monthly rental costs by the Section 8 Rental Assistance Payments Program. About 100 very low income householders are living in affordable units owned by the Housing Authority of Santa Cruz County. While there are some 400 lower income households now being assisted in Watsonville, the universe of all lower income households is ten times that amount. Watsonville will continue to work with the housing authority in an effort to increase the stock of assisted housing.

Household incomes have probably been increasing at a rate of five to ten percent per year but as long as the basic economy of the Pajaro Valley is heavily oriented towards agriculture and agriculturally related manufacturing, the distribution between low, moderate, and higher income households will remain about the same. Table 7 displays the distribution of household incomes as they were reported for all of 1979. The median household income was \$14,437 in Watsonville as compared to \$16,877 countywide. By federal, state, or local standards, more than one-half of all households in Watsonville can be classified as lower income. This concentration exceeds the regional fair share.

Over the next five years, it appears that Watsonville will continue to undergo a gradual change in employment patterns. Total employment, as measured by employed city residents, will grow at the rate of 2.5 to 3.0 percent per year. There will be fewer job opportunities in food processing but land use opportunities exist for growth in the retail trade, wholesale trade, service, and durable goods manufacturing sectors.

TABLE 7
HOUSEHOLD INCOME DISTRIBUTION
1979

| Annual Income Range | Gross Monthly Income | Affordable* Monthly Cost | Households in Range 1980 | % of Watsonville Households | Countywide Distribution |
|----------------------------|----------------------------|--------------------------------|--------------------------------|-----------------------------------|----------------------------|
| \$0 to \$5,000** | \$0 to \$417 | \$0 to \$104 | 989 | 12.1% | 12.8% |
| \$5,000 to \$10,000 | \$418 to \$833 | \$105 to \$208 | 1,634 | 20.0% | 16.8% |
| \$10,000 to \$15,000 | \$834 to \$1,250 | \$209 to \$313 | 1,625 | 19.9% | 15.3% |
| \$15,000 to \$20,000 | \$1,251 to \$1,667 | \$314 to \$417 | 1,178 | 14.4% | 13.1% |
| \$20,000 to \$35,000 | \$1,668 to \$2,917 | \$418 to \$729 | 1,936 | 23.7% | 26.7% |
| \$35,000 to \$50,000 | \$2,918 to \$4,167 | \$730 to \$1,042 | 470 | 5.8% | 9.5% |
| \$50,000+ | \$4,168+ | \$1,043+ | 340 | 4.1% | 5.8% |
| | | | 8,172 | 100% | 100% |

SOURCE: 1980 Census

* affordability is calculated at 25 percent of gross monthly income; at higher income levels, 30 percent would be more common.

** households of two persons or more in this range are classified as poverty level.

D. Mobility and Commuting

No city, including Watsonville, is a self-contained socio-economic system. The movement of population in and out of a locality leads to higher housing costs even when no net increase in population occurs. New householders are nearly always required to pay more for housing than previous occupants. This expectation of higher value is documented in the census. For example, the median value of owner-

occupied units in Watsonville was computed to be \$72,700 on April 1, 1980. On this same day, the median price asked on units listed for sale was \$88,900, 22 percent higher than median value. A similar situation applied to rental units. The median rent paid was \$231, while the median rent asked was \$244, an increase of 6 percent.

About 60 percent of all householders reported that they have lived in the city for five or fewer years. One-out-of-four households have lived in their units for only one year or less. Mobility is highest for renters. Seventy-five percent of all renters have lived in their units for less than five years. This high rate of mobility is expected to continue for the next five years. While population growth may occur in the range of 3.0 to 4.0 percent per year, population change (mobility) is expected to continue at the rate of 20% per year or more.

Housing demand pressure appears to be increasingly influenced by households employed in Santa Clara County but wanting suburban housing locations in Santa Cruz County. These householders are mostly upper income and can afford to pay prices far above most local households. As industrialization moves southward towards Morgan Hill and Gilroy, the pressure for large-lot suburban housing will be increased in both the Pajaro Valley and the Northern Salinas Valley. This will cause increasing land prices and pressure for the conversion of agricultural lands to suburban housing. The demand for additional housing supply will continue to exist in and around Watsonville as long as industrialization and job development continues to take place within the surrounding market area. Economic growth in central Santa Cruz County, southern Santa Clara County, and Northern Monterey County will all result in additional demand for residential development in and around the City of Watsonville. For this reason, the cities and counties must work together to meet housing needs that are regional in nature.

III. SPECIAL NEEDS HOUSEHOLDS

The review and analysis of "special needs households" helps to focus attention upon persons that, by virtue of their circumstances, are not able to fully compete for market-rate housing. These individuals are most likely to need some form of government assistance to meet their housing needs. In reviewing this section of the Watsonville housing element, it is important to keep in mind that not all persons and households within these categories of special need have housing problems. The households described in this section are more likely to have limited incomes and this limitation will make it more difficult for them to find, afford, and maintain standard market-rate housing. Special needs households are a legislative concern for Watsonville because in order to share in the adopted goal for housing, these persons may need additional assistance in the physical design of their housing and/or the price they can afford to pay for housing. They generally consist of the elderly and disabled persons living on pensions, younger persons with mental and/or physical handicaps, large households with low incomes, and female-headed families with children and no husband present.

A. Elderly Households

Watsonville contains a large proportion of persons 65 or older. As of 1980, this population group represented 16.2 percent of the total population. In California overall, senior citizens account for ten percent of the total population. It is important to note that senior citizens are the fastest growing segment of the local city population. In 1960, only one out of eight city residents were senior citizens. By 1980 this ratio had increased to one out of six. If this trend continues for the next five years, there will be about 5,650 seniors living in Watsonville. Twenty-nine percent of all occupied housing units in the city are headed by a person 65 or older. Housing for a large share of the elderly is needed at costs below current market rates. In addition, special design features are needed such as wheelchair ramps, grab bars, low counter tops and elevators. It is a policy concern for the City of Watsonville that housing for the elderly be centrally located to urban facilities such as shopping, transit, medical and social services to help prevent isolation.

B. Disability

Some 1,128 persons, aged 16 to 64, have reported to experience some form of permanent disability that limits the type or amount of work they can perform. More than half of these disabled persons (58 percent) are prevented

from doing any paid work due to disabilities. Many of these people reside in institutional housing called group quarters. In addition to these disabled persons, aged 16 to 64, there are another 518 senior citizens that have reported to be disabled to the point that they are prevented from using any form of public transit. These statistics, when combined with estimates prepared by the State Department of Rehabilitation, make it clear that Watsonville is home to at least 500 and perhaps as many as 700 persons with severe and long-lasting disabilities. As the number of senior citizens continues to grow, it is likely that the number of permanently disabled persons will grow to more than 1,000 by 1991. Senior citizens with disabilities will continue to be an important housing policy priority in Watsonville.

C. Ethnicity

The most significant minority population group in Watsonville are persons of Spanish origin. These persons make up one half of the total population. The definition of minorities and the type of enumeration conducted has changed significantly from 1970 to 1980, so comparisons should be avoided. Figure 2 shows that Hispanic households are heavily concentrated in the Downtown and Industrial planning areas. These are older sections of town and tend to provide the majority of less expensive housing. Census tract 1103 (Downtown), is the highest area of concentration, containing 748 out of 2,801 Hispanic households. Hispanic households are a special housing needs group for two important reasons: First, they have an average household size of 4.05 persons per unit, compared to White households with an average of 2.49, and second, they have a much lower average household income level. For 1979, White households reported an average income of \$22,122, compared to \$16,296 for Hispanic households. It can be seen that on a per capita basis, White households had \$8,884 per person, compared to \$4,024 per person for Hispanic households. Asian and Pacific Island ethnicity accounts for some five percent of all Watsonville households.

D. Large Households

Large households are included in the special needs category because they may experience difficulty finding housing of adequate size at a cost that would be considered affordable. Figure 3 clearly demonstrates that the distribution of large households corresponds to the distribution of Hispanic households. Table 8 displays the distribution of households with five or more members citywide and for households of Hispanic origin.

| Census Tract | Total Households | Hispanic Households | Percent Hispanic |
|--------------|------------------|---------------------|------------------|
| 1101 | 1,581 | 337 | 21% |
| 1102 | 1,652 | 322 | 19% |
| 1103 | 1,359 | 748 | 55% |
| 1104 | 710 | 522 | 74% |
| 1105 | 1,870 | 598 | 32% |
| 1106 | 979 | 269 | 27% |
| 1107 | 18 | 5 | 28% |
| | 8,169 | 2,801 | 34% |

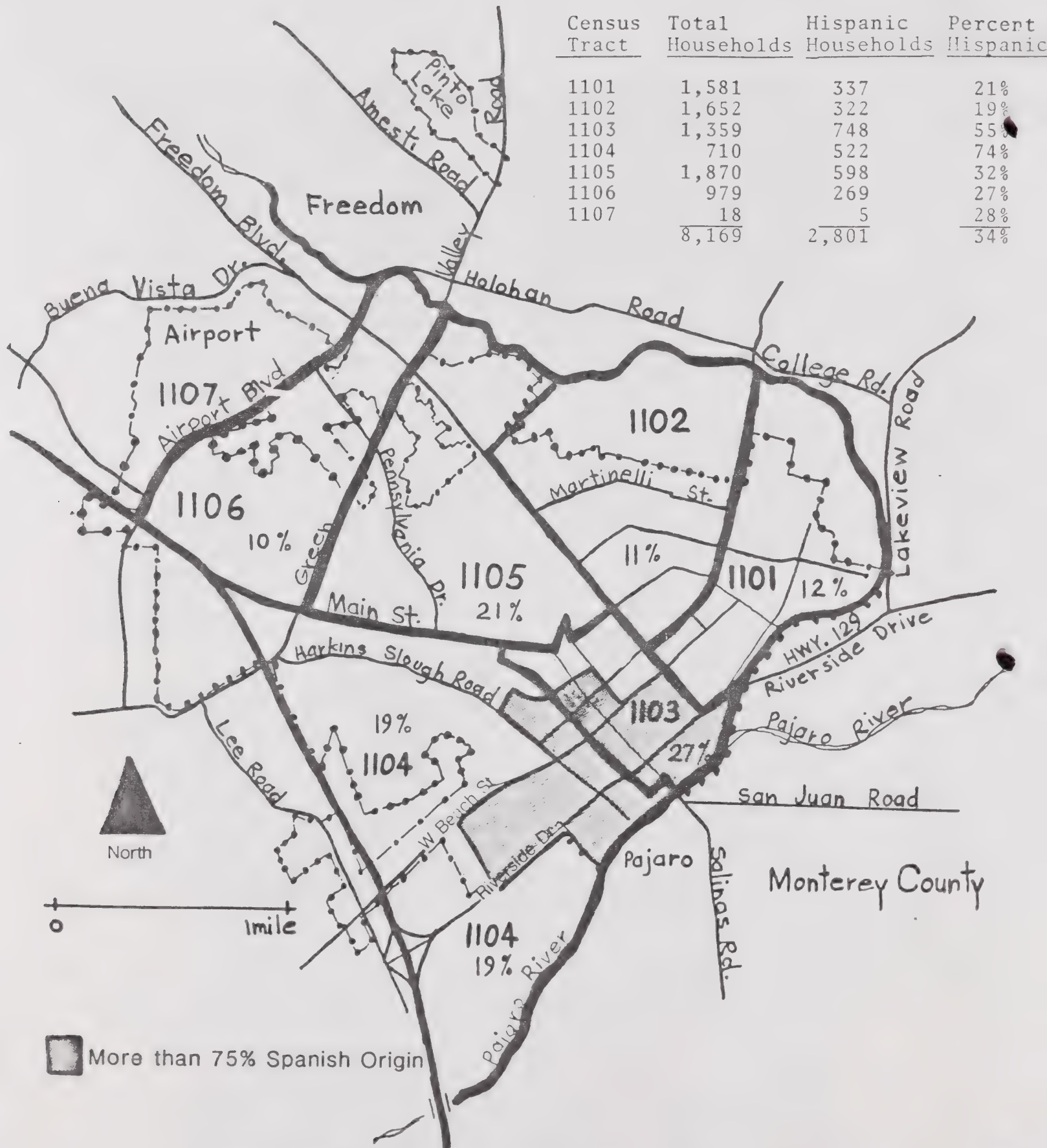


Figure 2 -- Location of Hispanic Households

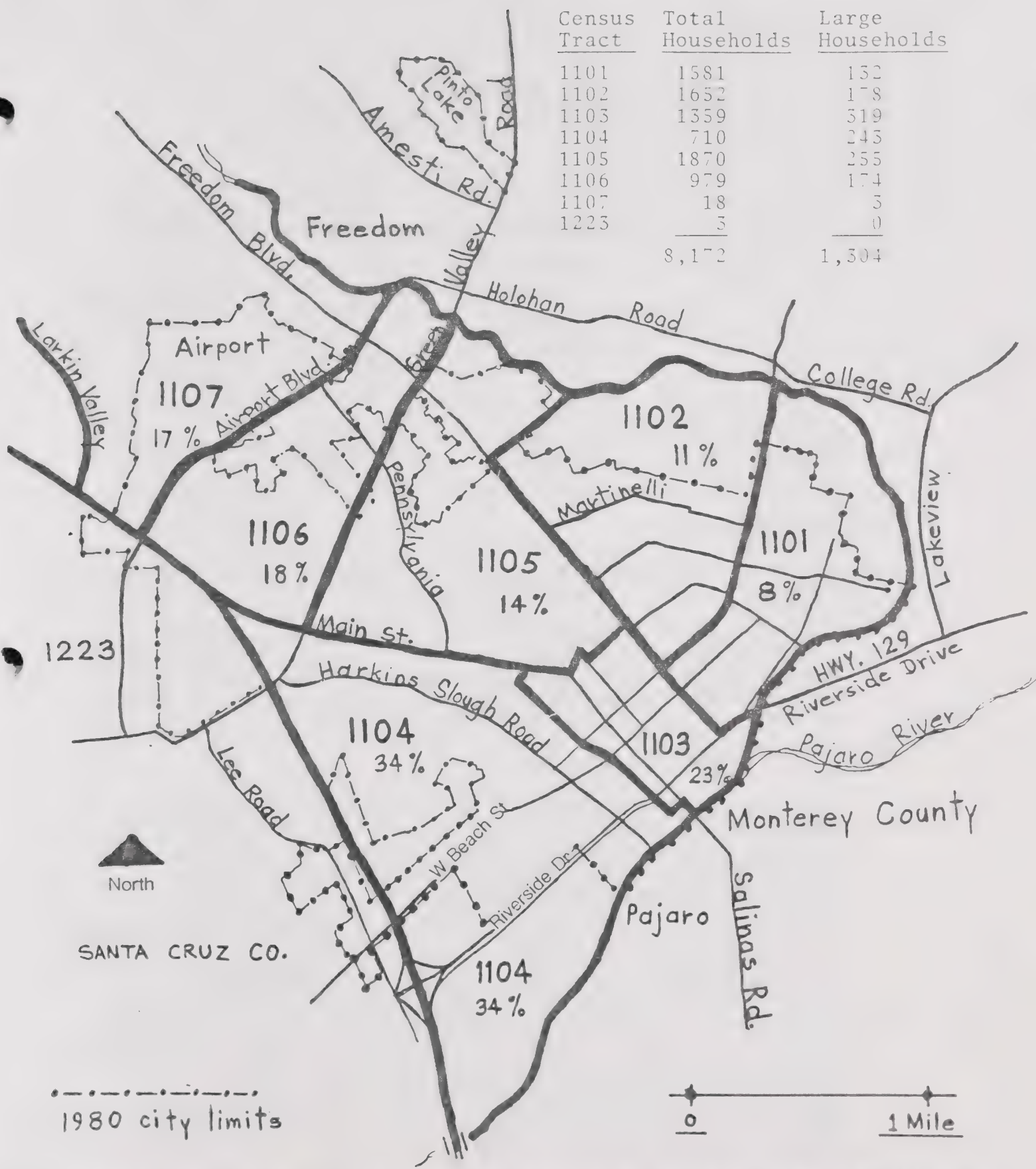


Figure 3 -- Location of Large Families

TABLE 8
HOUSEHOLDS WITH FIVE OR MORE MEMBERS
1980

| <u>Persons in Household</u> | <u>Citywide</u> | <u>Hispanic* Households</u> | <u>Percent Hispanic</u> |
|---------------------------------|-----------------|---------------------------------|-----------------------------|
| 1 | 1,968 | 291 | 14.8% |
| 2 | 2,655 | 471 | 17.7% |
| 3 | 1,251 | 529 | 42.3% |
| 4 | 994 | 499 | 50.2% |
| 5+ | <u>1,304</u> | <u>1,011</u> | <u>77.5%</u> |
| Total | 8,172 | 2,801 | 34.3% |

SOURCE: 1980 Census

*the count of Hispanic households is independent of total household count.

Citywide, only 16 percent of all households contained five or more members, but among Hispanic households, 36 percent can be classified as large households. Households with five or more members will require a housing unit of three bedrooms or larger to avoid overcrowding.

E. Single Parent Households

Most single parent families with children are headed by women. This type of household falls into the special needs category by virtue of the fact that they have the lowest average family income and can therefore least afford suitable housing. Most female-headed families with children have annual incomes far below two-parent families. For example, the annual income reported in 1979 by families in Watsonville shows that two-parent families with children had an average of \$21,594, compared to female-headed families with an average of only \$10,312. In this example, using the 25 percent affordability criteria, the two-parent family could have afforded to pay \$450 per month while the one-parent family could have afforded only \$215. Figure 4 on the following page shows the 1980 distribution of female-headed families with children. One third of all female-headed families with children have incomes below the official poverty level.

| Census Tract | Families With Children | Female-headed families with Children | |
|--------------|------------------------|--------------------------------------|-----|
| 1101 | 343 | 67 | 20% |
| 1102 | 492 | 83 | 17% |
| 1103 | 587 | 111 | 19% |
| 1104 | 350 | 71 | 20% |
| 1105 | 618 | 166 | 27% |
| 1106 | 480 | 83 | 17% |
| 1107 | 12 | 3 | 25% |
| | 2,882 | 584 | 20% |

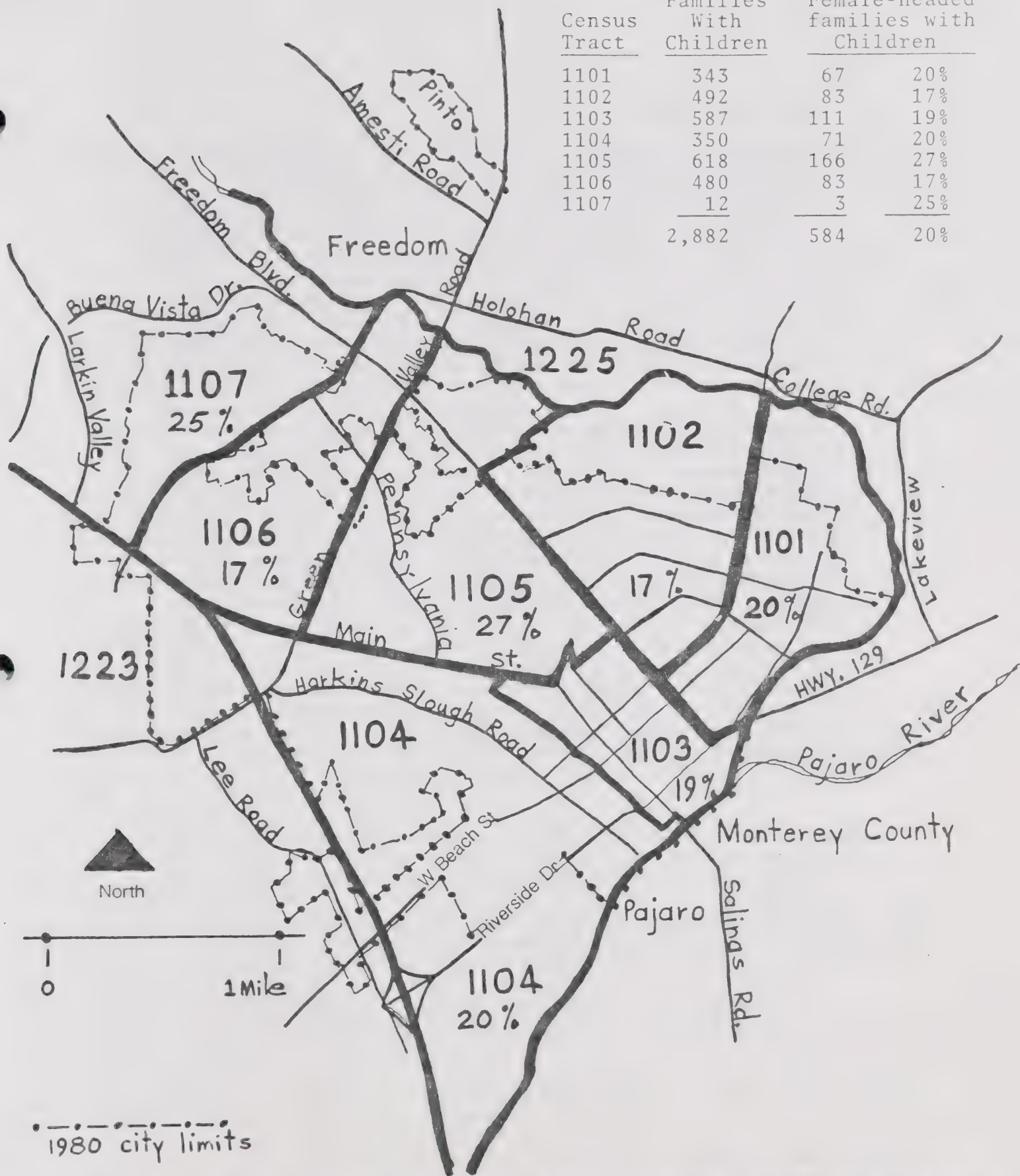


Figure 4 -- Female-Headed Households

F. Farmworker Households

Farmworker households living in and around Watsonville form a very important segment of the local economy, yet they often experience difficulty securing affordable housing of adequate size. While 17 percent of all employed persons living in Watsonville have reported farmwork as their occupation, 26 percent of all employed Hispanic persons have reported farming as their occupation. This is a very high concentration in Watsonville considering that countywide only five percent of all employed persons have reported farming as their occupational field. Farmworkers today appear to be far less migrant than in years past. Growers prefer hiring workers they have previously hired. This encourages a more permanent resident farmworker population. Demand for field workers is expected to remain fairly constant over the next five years because the crop types grown in the Pajaro Valley, such as artichokes, strawberries, apples and broccoli are all labor intensive. When direct agricultural employment is added to food processing and other agricultural services, about one-third of all employment in Watsonville can be classified as agriculturally related. Data is limited but overcrowding appears to be a serious problem for many farmworker households. For example, overcrowding is reported for six percent of all households in Santa Cruz County, 17 percent of all households in Watsonville, and 43 percent of all Hispanic households in Watsonville. Overcrowding is nearly always associated with low household income, lack of personal privacy, property deterioration and a high rate of rental occupancy.

G. Homeless Persons

The "homeless" are another group about which very little information is available. The Santa Cruz County, Human Resources Agency estimates there are approximately 1,000 homeless people living in the County. Countywide statistics were collected by the Shelter Project, a coalition of groups providing emergency shelter services, during the first three months of 1985. These statistics show that 12% of those served were single men, 17% were single women, 64% were families with children and 7% were couples. Of the people served, 40% were children under the age of 18. The Shelter Project served 69% white, 22% hispanic, and the remaining 9% were other minorities.

In Watsonville, two facilities serve the Watsonville area homeless--Pajaro Valley Shelter for Women and Children and the Pajaro Rescue Mission. The first agency serves, as the name implies, women and children. They have been open approximately a year and a half and have housed and fed 225 people. On an average they turn away 15 people each month. The Pajaro Rescue Mission caters toward single men, although they have one additional room that will sleep five and has been used by families. They house, in an average month, 250 people and serve 1,950 meals.

H. Summary of Findings on Special Needs

- . The lack of sufficient income to afford suitable market-rate housing is common to all special needs households and is experienced by half of all Watsonville households.
- . More than 30 percent of all households have reported 1979 incomes of under \$8,450 and are, therefore, classified as very low income (2,512 households).
- . Ten percent of all Watsonville families are living below the poverty level. (Less than \$5,787 annual income for a family of three during all of 1979).
- . Eighty percent of all poverty level families have children (About 1,295 children in poverty level families as of 1980).
- . Forty percent of all poverty level families are headed by women with no husband present.
- . While Watsonville accounts for 12.5 percent of county population, it houses 13.7 percent of the population living in poverty.

- . Of the 3,048 persons living in poverty, 317 (10.4%) are senior citizen 65 or older.
- . A total of 940 households are living below the poverty level, 574 are families and 366 are households of one or more unrelated persons. Twenty-six percent of all poverty level households are headed by persons 65 or older.
- . Handicapped persons are part of the Watsonville labor force. Four percent of all employed persons living in Watsonville have a permanent disability and about 700 persons are prevented from working at all.
- . Overcrowded housing, a condition closely related to low income, is a far more serious problem in Watsonville than it is for the surrounding county housing market area. In Santa Cruz County overall, six percent of all occupied housing units can be counted as overcrowded, compared to 17 percent in Watsonville.
- . At least 50 percent of all renters in Watsonville are paying more than 25 percent of their gross income for monthly rent.
- . Overpayment for rental housing is most severe for households in the very low income category (under \$10,000 for 1979), 83 percent of all very low income renters are paying more than 25 percent of gross income for monthly rent.
- . At least 30 percent of renters at all income levels are faced with severe overpayment problems in that they are paying in excess of 35 percent of their gross income for monthly rents.
- . By virtue of their age, race, physical condition or family status, the persons described in this section of the housing element are more likely to experience discrimination in housing.
- . Twenty-nine percent of all occupied housing in the city are headed by a person 65 or older.

IV. HOUSING SUPPLY AND CONDITION

An effective housing planning process must provide for additions to the total housing stock to provide for new household formations and the maintenance of the existing stock. A comprehensive housing strategy must also plan for and provide a full range of urban facilities and services that create a suitable living environment.

Market demand appears to be strong in Watsonville at this time. The demand for residential development permits will probably continue to fluctuate with the availability of capital for construction loans and the interest rates charged on mortgage loans. Given present conditions, it appears that the planning department can expect to have between 600 and 800 housing units under development review at any given time during the next few years.

The city, working in cooperation with the Housing Authority of the County of Santa Cruz, has made significant progress in housing rehabilitation. To date, more than 200 low and moderate-income households have been assisted. However, public rehabilitation programs will never be enough to deal with more than a small percentage of the total need.

A. Housing Production

Between January 1980 through December of 1986, the City of Watsonville issued 1,279 permits for residential construction. This represents an annual average production of 183 units. Fifty-three percent of this production has been for single-family and duplex units and forty-seven percent for multi-family construction.

The Association of Monterey Bay Area Governments (AMBAG) has allocated a regional fair share housing construction need of 3,065 units to Watsonville for the ten-year period April 1, 1980 to April 1, 1990. Given actual production of 1,279 units added between 1980 and 1986, (Table 9 displays this data), the remaining AMBAG fair share need is for 1,786 units from January 1987 to April 1990. Watsonville will need to construct an average of 447 units per year for four years to meet the regional fair share allocation.

Watsonville has projected a housing need of 2215 units for the Housing Program period of April 1, 1985 through April 1, 1991. In order to meet this City objective, housing would have to be produced at the rate of 369 units per year. The City will encourage additional housing development above the level of 369 units per year, in order to reach the remaining regional need of 447 units per year.

TABLE 9
HOUSING UNITS ADDED
1980-1986

| <u>Year</u> | <u>Single</u> | <u>Duplex</u> | <u>Multiple</u> | <u>Total</u> |
|-------------|---------------|---------------|-----------------|--------------|
| 1980 | 25 | 10 | 75 | 110 |
| 1981 | 69 | 0 | 58 | 127 |
| 1982 | 20 | 32 | 4 | 56 |
| 1983 | 69 | 36 | 31 | 136 |
| 1984 | 93 | 84 | 170 | 347 |
| 1985 | 39 | 72 | 158 | 269 |
| 1986 | 68 | 56 | 110 | 234 |
| | <u>383</u> | <u>290</u> | <u>606</u> | <u>1279</u> |

SOURCE: Watsonville Building Department

Current Planning Department data on new housing production indicates that production is once again on the upturn. More than 600 units are now in the development review process.

B. Housing by Type

Over time the classification of housing units by type has changed. In 1970, the classification of "condominium unit" did not exist. Today single-family units can be classified as single-detached or as single-attached. The 1970 census counted 80 percent of all Watsonville housing units as single family. In the 1980 census, only 59 percent of all year-round housing units were classified as single-family. This is a significant change in housing type, probably reflecting the high cost of land and the tendency to cluster housing units in order to avoid environmental problems. Should this pattern of clustered development continue, the proportion of single-family units to total stock may decline to 40 percent single family by 1990. The estimated change in housing stock that has occurred from the census of 1980 to January of 1985 is reported on Table 10.

TABLE 10
CHANGE IN HOUSING STOCK BY TYPE
1980-1985

| Structure Type | <u>1980 Census</u> | | <u>1985 State Estimate</u> | |
|------------------------------------|--------------------|---------|----------------------------|---------|
| | Units | Percent | Units | Percent |
| Single Family | 5,078 | 58.7% | 5,533 | 57.8% |
| Duplex to Fourplex | 805 | 9.3% | 948 | 9.9% |
| Five or more units | 2,102 | 24.3% | 2,361 | 24.7% |
| Mobile, Trailer & Miscellaneous | 666 | 7.7% | 727 | 7.6% |
| TOTAL | 8,651 | 100% | 9,569 | 100% |

SOURCE: City of Watsonville Planning Department

This pattern of decrease in the share of single-family units to total stock is also occurring in other urban areas. Mobile homes in Watsonville are double the share of mobile homes statewide. They are, and will continue to be, a very important source of non-subsidized housing stock affordable to lower-income households and retired persons. Watsonville will continue to protect this valuable source of non-subsidized affordable housing. Existing mobile home parks will be encouraged to continue and mobile homes will be allowed on R-1 lots.

C. Housing by Size

The stock of year-round housing units in Watsonville is slightly smaller in average number of rooms compared to the surrounding county market area. The difference is only minor so that size is not a significant housing policy issue. Table 11, displays the size distribution as it existed in 1980. It should be noted that large homes of six or more rooms make up only 20 percent of the Watsonville stock, while they account for 30 percent of the county stock.

TABLE 11
HOUSING STOCK BY SIZE
1980

| <u>Number of Rooms*</u> | <u>Watsonville City</u> | | <u>Santa Cruz County (excluding Watsonville)</u> | |
|-----------------------------|-------------------------|----------------|--|----------------|
| | <u>Units</u> | <u>Percent</u> | <u>Units</u> | <u>Percent</u> |
| One | 335 | 3.9% | 1,921 | 2.7% |
| Two or Three | 2,104 | 24.3% | 13,355 | 18.8% |
| Four or Five | 4,468 | 51.6% | 34,030 | 48.0% |
| Six or Seven | 1,512 | 17.5% | 17,110 | 24.1% |
| Eight or More | <u>232</u> | 2.7% | <u>4,439</u> | 6.4% |
| Total | 8,651 | | 70,855 | |

*The count of rooms excludes bathrooms and kitchens

SOURCE: 1980 Census

D. Housing by Tenure

All occupied housing units are classified as either owner-occupied, even if no monthly mortgage payments are being made, or as renter-occupied, even if no cash rent is paid. There has long been a tendency to equate renter households with temporary or transient population and owners with permanency. The ideal balance between owners and renters is not known. In Santa Cruz County the trend in tenure over the last twenty years has been towards more renter-occupied housing but this is not the case in Watsonville. The rate of ownership over the last twenty years has held almost constant at fifty percent. Based on current conditions it would appear that the present 50/50 tenure split would be appropriate for Watsonville. Ownership is heavily influenced by income and ethnicity: most white householders are owners and most Hispanic householders are renters. Table 12 shows the owner/renter distribution by ethnicity and income level as of 1980. Figure 5 shows the distributions of renter and owner occupied housing.

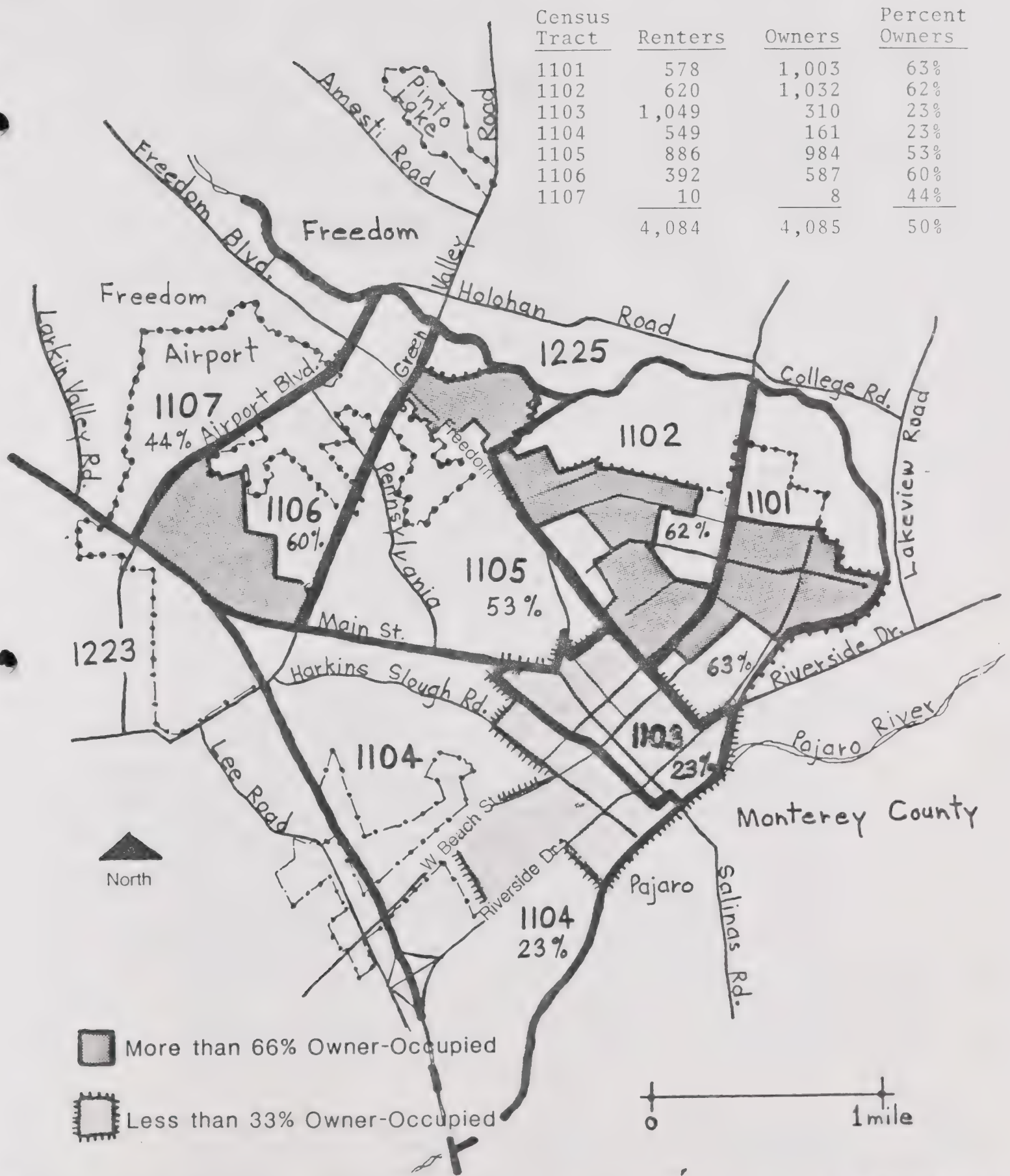


Figure 5 -- Location of Owners and Renters

TABLE 12
HOME OWNERSHIP BY ETHNICITY AND INCOME
1980

| <u>Tenure</u> | <u>Hispanic</u> <u>Households</u> | <u>White</u> <u>Households</u> |
|---------------------------------|--------------------------------------|-----------------------------------|
| Owners | 713 | 3,354 |
| Renters | 2,088 | 2,519 |
| Mean Household Income (1979) | \$16,296 | \$18,951 |

SOURCE: 1980 Census

Most rental housing is located within the older downtown neighborhoods and the majority of these units are occupied by householders of Hispanic origin. The downtown and industrial neighborhoods are also the areas with the highest proportion of overcrowding. The downtown area, census tract 1103, and the industrial area, census tract 1104, stand out as locations needing special attention to housing repair.

E. Housing by Age

As housing ages it requires increased maintenance to meet current code standards and retain market value. The proportion of housing stock over forty years old is a good indicator of the potential need for repair, modernization or even removal. Watsonville has a very high proportion of housing over 40 years old. When the data on age of housing stock is combined with data on overcrowding, Watsonville stands out as a locality that could materially benefit from a publicly assisted housing rehabilitation program. Nearly 2,000 housing units in Watsonville are 45 years old or older. Table 13 shows the age distribution for housing units in Watsonville, Santa Cruz County, and California.

TABLE 13
AGE OF HOUSING STOCK
1980

| Age | Watsonville | Santa Cruz County | California |
|-------------------|-------------|----------------------|------------|
| 15 years, or less | 36% | 32% | 26% |
| 15 to 25 | 13% | 23% | 24% |
| 25 to 35 | 16% | 15% | 22% |
| 35 to 45 | 12% | 12% | 13% |
| 45 or older | 23% | 18% | 15% |

SOURCE: 1980 Census

Publicly assisted housing rehabilitation programs like Watsonville's can only deal with a small proportion of the aging housing stock. Encouragement of a high level of private investment in housing revitalization is needed to prevent further deterioration and eventual abandonment of structures. The City of Watsonville strongly supports private sector investment in revitalization of the aging housing stock.

Private investors that rehabilitate older housing are encouraged to consider renting to eligible Section 8 families. This is a very popular subsidy program that keeps housing in the private sector and pays fair market value.

Most homes 45 years old or older are located in the downtown area, census tract 1103. Figure 6 shows this distribution.

F. Utilization of Housing Stock

The existing housing stock in Watsonville experiences both overcrowding and under utilization at the same time. This occurs because lower income households with four or more members are living in two-bedroom units while upper income households with three or fewer members are residing in units with three or more bedrooms. This situation is not unique to the City of Watsonville.

Although overcrowding is difficult to define, it is said to exist when the number of occupants in a housing unit exceeds one person per room after excluding bathrooms and kitchens. Moderate crowding exists when the unit is occupied by 1.01 to 1.50 persons per room. Severe

UNITS 35 YEARS OLD, OR OLDER

| CENSUS TRACT | UNITS | PERCENT |
|--------------|--------------|--------------|
| 1101 | 415 | 14 |
| 1102 | 839 | 28 |
| 1103 | 901 | 30 |
| 1104 | 428 | 14 |
| 1105 | 350 | 12 |
| 1106 | 18 | 1 |
| 1107 | 6 | 1 |
| | <u>2,957</u> | <u>100 %</u> |

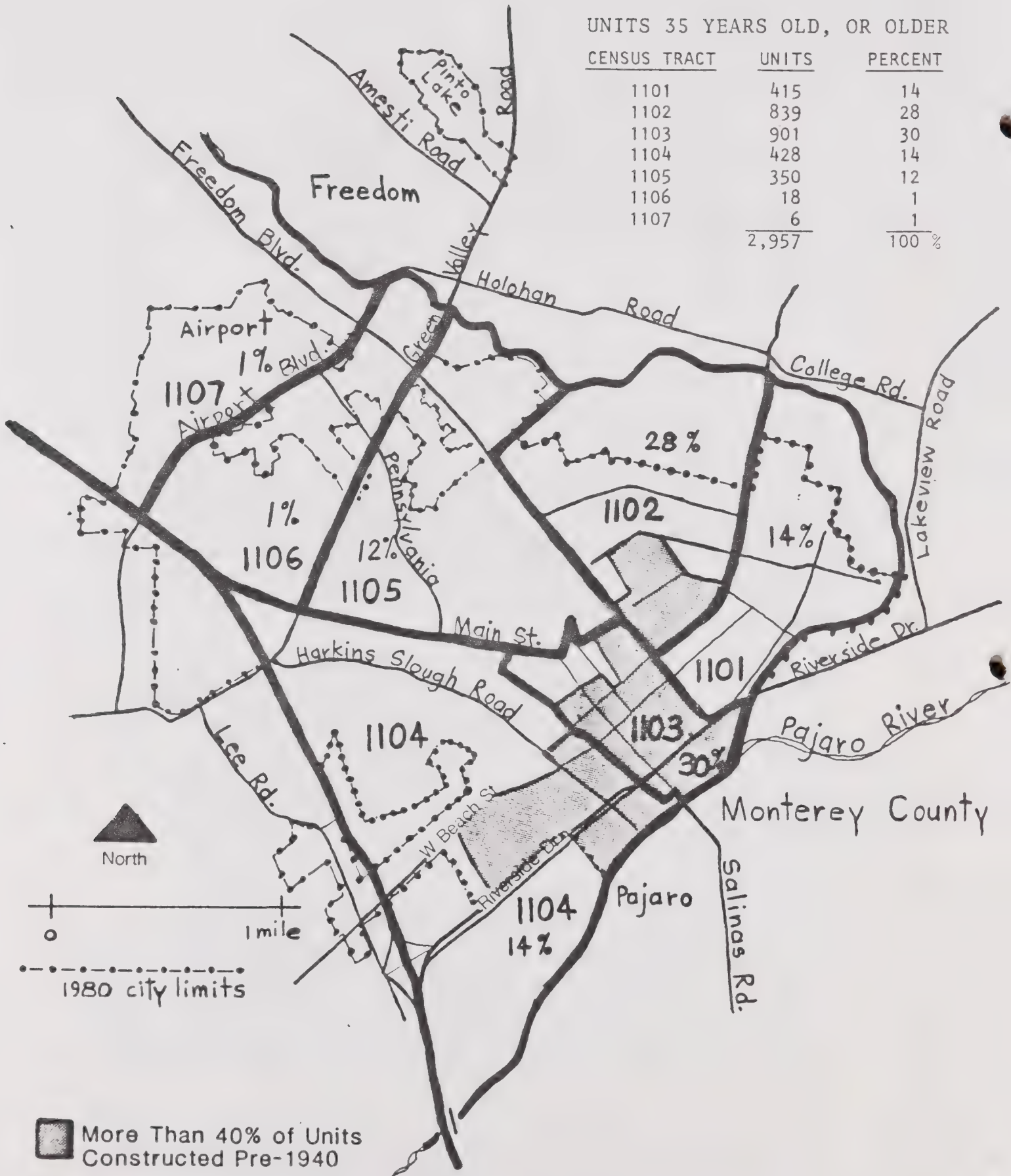


Figure 6 -- Age of Housing

overcrowding exists when the occupancy exceeds 1.51 persons per room. For example, a unit consisting of one kitchen, one bathroom, a living room and two bedrooms would be counted as severely overcrowded if occupied by five persons (1.67 persons per room). Watsonville experiences a higher rate of overcrowding than either the county or the State. In California, 7.4 percent of all households are overcrowded. In Santa Cruz county, the rate is 5.3 percent, but in Watsonville, the rate is an alarming 15.8 percent! At least 1,383 households were counted as overcrowded in the 1980 census and 56 percent of these were counted as severely overcrowded. This is a serious housing policy issue in Watsonville. Households with five or more members will have a difficult time finding affordable rental housing with three or more bedrooms.

Overcrowding is heavily concentrated among households of Hispanic origin. Of all 1,383 overcrowded households, 88 percent are of Hispanic origin, and 92 percent of all severely overcrowded households are occupied by persons of Hispanic origin. The highest concentration of crowding occurs in census tracts 1103 and 1104. In these locations, more than one in three households are overcrowded. Table 14 shows the citywide distribution of overcrowded households.

TABLE 14
OVERCROWDED HOUSEHOLDS
1980

| <u>Tract</u> | <u>Total Households</u> | <u>Overcrowded Households</u> | <u>Percent Overcrowded</u> |
|--------------|-----------------------------|-----------------------------------|--------------------------------|
| 1101 | 1,581 | 130 | 8.2% |
| 1102 | 1,652 | 124 | 7.5% |
| 1103 | 1,359 | 423 | 31.1% |
| 1104 | 710 | 297 | 41.8% |
| 1105 | 1,870 | 267 | 14.3% |
| 1106 | 979 | 141 | 14.4% |
| 1107 | 18 | 1 | 5.6% |
| 1223 | 3 | 0 | — |
| <u>1225</u> | <u>0</u> | <u>0</u> | — |
| TOTAL | 8,172 | 1,383 | 16.9% |

Conditions of overcrowding are usually associated with physical deterioration of the housing unit. It would be reasonable to estimate that at least 75 percent of all crowded households would qualify for city-sponsored housing rehabilitation services provided under the Watsonville Housing Improvement Program, (WHIP). The citywide distribution of overcrowded households is shown in Figure 7.

Housing built in the past tended to be larger than most housing being built today. The result of this trend is that while overcrowding continues to exist, especially for lower income Hispanic households, much of the older and larger housing stock is being underutilized in terms of the number of persons it could accommodate without overcrowding. This idea of "potential holding capacity" can be estimated by using the following criteria:

1. Persons per unit should not exceed one person per room to avoid overcrowding.
2. Only 95 percent of the stock should be occupied at any given time in order to allow for a five percent gross vacancy rate.

| Census Tract | Overcrowded Household |
|--------------|-----------------------|
| 1101 | 130 9% |
| 1102 | 124 9% |
| 1103 | 423 31% |
| 1104 | 297 21% |
| 1105 | 267 19% |
| 1106 | 141 10% |
| 1107 | 1 1% |
| | <u>1,383 100%</u> |



Figure 7 Overcrowding

These "holding capacity" criteria have been applied to the distribution of year-round housing units as counted in the 1980 census, and the resulting population holding capacity (household population) is reported as Table 15. Underutilization increases as the number of one and two person households increases. In Watsonville today at least fifty-seven percent of all households contain less than three members. This share of small households is expected to increase in the coming years.

TABLE 15
HOUSEHOLD POPULATION HOLDING CAPACITY
1980

| Unit Size (Rooms) | Number of Units | 95% Occupancy | Persons per Unit | Household Population |
|-------------------------|--------------------|------------------|---------------------|-------------------------|
| One | 335 | 318 | 1.0 | 318 |
| Two | 788 | 749 | 2.0 | 1,498 |
| Three | 1,316 | 1,250 | 2.5 | 3,125 |
| Four | 2,155 | 2,047 | 3.0 | 6,141 |
| Five | 2,313 | 2,197 | 3.5 | 7,690 |
| Six | 1,133 | 1,076 | 4.0 | 4,304 |
| Seven | 379 | 360 | 4.5 | 1,620 |
| Eight or More | 232 | 220 | 5.0 | 1,100 |
| | 8,651 | 8,217 | 3.14 | 25,796 |

SOURCE: City of Watsonville, Planning Department

Table 15 above demonstrates a potential household population of 25,796, without overcrowding and with a five percent gross vacancy rate. The actual household population on April 1, 1980, was enumerated at 23,151. The housing stock in Watsonville, like most other communities in California, could easily accommodate additional population without overcrowding and this could occur even with a five percent vacancy rate to provide for population mobility. This situation clearly indicates that in many homes with three or more bedrooms, at least one or more of these rooms are being held for occasional use (guest rooms), or for other uses such as home offices. About 130 employed persons living in Watsonville report "home" as their place of employment.

G. Housing Conditions

There is no simple measure that can be used to judge the physical quality of the housing stock. To be sound, a housing unit must protect the occupants from exposure to the elements, be free of physical defects that would endanger the health and safety of the occupants, provide adequate plumbing for kitchen and bathroom uses, and be reasonably close to services such as shops, schools and public protection. Together these elements form the suitable environment. "Suitable", as used here includes the normal supply of urban infrastructure such as roads, water, utilities and waste disposal. City survey data obtained in 1976, determined that about one-third of the housing stock was in need of substantial repair. Most of this deteriorated housing is located in the downtown area, census tract 1103. A 1984 survey found 266 housing units in the downtown area that were in need of major rehabilitation. Housing quality is a major policy concern in Watsonville.

Some census data can be used as indicators of housing condition. For example, as of April 1, 1980, we know that:

- A. 18 housing units were vacant and boarded up.
- B. 237 units did not have adequate plumbing.
- C. 1,383 units were overcrowded.
- D. 2,960 units were over 40 years old.
- E. 239 units had no conventional means of heating.
- F. 383 units had no telephone service.

Information obtained from the census has been supplemented by city surveys made in connection with the Community Development Block Grant program. The survey on housing condition found 648 housing units in need of repair and rehabilitation. This is probably a very conservative estimate as it is based on exterior appearance only. Considering internal deficiencies identified by the census, it is reasonable to estimate that 1,200 to 1,500 housing units in Watsonville are in need of substantial repair at this time.

The correction of physical deficiencies in the Watsonville housing stock has been a high priority policy item for over ten years. Funding for this activity remains limited and it will take several years to generate a revolving fund from the repayment of existing CDBG loans. Given the age of the existing housing stock and the extensive amount of overcrowding, it is likely that the existing stock is falling into disrepair at a rate equal to or faster than the rate at which units are being rehabilitated. In addition to community development efforts to rehabilitate housing and maintain a suitable living environment, the City of Watsonville will need to promote and facilitate an extensive amount of private investment in housing

rehabilitation. A growing local economy will do much to promote private investment in housing repair as well as new businesses.

Using the available indicators, it is reasonable to characterize Watsonville's housing stock as aging and in need of sustained repair and rehabilitation efforts. These efforts are all the more important when the historic and architectural features of the older housing stock are taken into consideration. The architectural and historical value of structures is a major policy concern to the City of Watsonville. The city planning department maintains a register of significant structures and the City has adopted an Historic Preservation Ordinance. It has been a policy of Watsonville to combine rehabilitation with historic preservation.

H. Housing Vacancy

The housing vacancy rate is an indicator of economic growth. Areas experiencing a decline in job growth and economic activity usually display a high rate of vacancy. There are actually two vacancy rates that are of policy concern to the City. The first is gross vacancy, the total sum of all unoccupied housing units and, the second is the effective vacancy rate, that segment of the vacant stock that is on the open market and being offered for sale or for rent. A healthy housing market requires a gross vacancy rate of at least seven percent and an effective vacancy rate of at least five percent. At these rates, new residents have an opportunity to find suitable accommodations by price and existing residents can be assured of continued appreciation in property values. When vacancy rates are too low, population mobility is impaired, costs remain high and substandard housing remains occupied.

Vacancy rates are low in Watsonville and much lower than the surrounding housing market area. As of the 1980 census, Watsonville provided 10.9 percent of the county housing stock but only 6.2 percent of all vacant units. There were 479 vacant year-round housing units which represents 5.5 percent of the stock. By contrast, the remainder of Santa Cruz County provided 7,234 vacant units which represents 10.2 percent of stock. Not all of the 479 vacant units in Watsonville were available for renter or owner occupancy. Only 320 (67%) were being offered for sale or for rent. The 111 units listed for sale provided a for-sale vacancy rate of 2.7 percent and the 209 units for rent provided a rental vacancy rate of 5.1 percent. The combined effective vacancy rate of 3.9 percent was substantially below the desired minimum rate of 5 percent. Vacancy surveys conducted by the Postal Service indicate that the effective vacancy rate is even lower today than it was in 1980. The 1980 distribution of units for sale and for rent is shown below as Table 16.

TABLE 16
UNITS AVAILABLE FOR SALE AND FOR RENT
1980

| Census Tract | Renter Households | For Rent | Vacancy Rate | Owner Households | For Sale | Vacancy Rate |
|--------------|-------------------|----------|--------------|------------------|----------|--------------|
| 1101 | 578 | 28 | 4.62 | 1,003 | 21 | 2.05 |
| 1102 | 620 | 12 | 1.90 | 1,032 | 14 | 1.34 |
| 1103 | 1,049 | 48 | 4.40 | 310 | 6 | 1.90 |
| 1104 | 549 | 30 | 5.18 | 161 | 1 | 0.62 |
| 1105 | 868 | 78 | 8.25 | 984 | 12 | 1.20 |
| 1106 | 392 | 13 | 3.21 | 587 | 57 | 8.85 |
| 1107 | <u>10</u> | <u>-</u> | <u>0</u> | <u>8</u> | <u>-</u> | <u>0</u> |
| | 4,084 | 209 | 4.87 | 4,085 | 111 | 2.64 |

SOURCE: 1980 Census

I. Housing in the Coastal Zone

Only a small portion of Watsonville is located within the California Coastal Zone. The Watsonville Coastal Land Use Plan has established land use policies for five specific areas within the coastal zone. Future residential development is not anticipated in any of these areas. Only two of the five coastal planning areas contain housing. The area designated as Area C in the Local Coastal Plan is presently zoned for single-family use, but is not under development pressure at this time. Residential development would require a conditional use permit, be subject to environmental performance standards, and could only take place if continued agricultural use could be demonstrated to be infeasible.

J. Assisted Housing

Working in cooperation with the private sector, the Housing Authority of the County of Santa Cruz and private nonprofit housing developers, the City of Watsonville has established an outstanding record of success in the provision of low-cost housing. Figure 8 shows that the policy of avoiding concentration of low income housing has been achieved in Watsonville. As of 1984, about 200 low income families living in the city were being assisted under the Section 8 rental assistance program. Twenty-six of these households were elderly and five were disabled. The City will continue to promote the use of Section 8 and rent stabilization contracts as a means to conserve the affordability of existing low income rental units.



This figure demonstrates that the city policy of providing assisted housing on a city-wide basis is working.

| <u>Subsidy Program</u> | <u>Development Name</u> | <u>Units</u> | <u>Vicinity</u> | <u>Tract</u> |
|------------------------|----------------------------|--------------|-----------------|--------------|
| 1. 326 | Mesa Vista | 179 | Pinto Lake | 1225 |
| 2. Section 8 | Pajaro Vista | 106 | Airport | 1107 |
| 3. 221(d)(3) | Green Valley Apts. | 200 | Green Valley | 1106 |
| 4. 202/Sect.8 | Independence Sq. | 100 | Martinelli | 1102 |
| 5. Public Housing | Crestview | 16 | Martinelli | 1102 |
| 6. 221(d)(3) | Clifford Manor | 100 | Bernardo | 1105 |
| 7. Public Housing | Montebello Drive | 16 | Bernardo | 1105 |
| 8. Section 8 | Pennsylvania Ave. | 11 | Bernardo | 1105 |
| 9. Public Housing | Seneca Court | 24 | Bernardo | 1105 |
| 10. Section 8/Rehab | Herrlich | 9 | Downtown | 1103 |
| 11. Public Housing | Blackburn Avenue | 14 | Salsipuedes | 1101 |
| 12. Section 8 | Rogge Street | 14 | Salsipuedes | 1101 |
| 13. Section 8/Rehab | Wall Street Inn | 50 | Downtown | 1103 |
| 14. Section 8/Rehab | Bonnet | 12 | Downtown | 1103 |
| 15. Section 8/Rehab | Grant | 5 | Downtown | 1103 |
| 16. PMHA | Casa Pajaro I | 24 | Downtown | 1103 |
| 17. PMHA | Casa Pajaro II | 10 | Downtown | 1103 |
| City-wide | Section 8 Existing/private | 230 | ----- | ---- |

Figure 8 -- Subsidized Housing

Source: Watsonville Planning Department, February 1985

The concept of publicly assisted housing has undergone a dramatic change over the last five years. Direct federal funding of housing for low income persons has been reduced and will probably not be increased over the next five years. The need for low cost housing remains but the concept of government assistance has been shifted from the federal level to the state and local level. Under present circumstances, affordable housing will only become a reality through the combined participation of the private sector and local governments.

The City has also leased approximately 2.5 acres of city owned land to a private developer to help write down the cost of building up to 35 multi-family dwellings. These units will be rented to low income households at rates slightly below HUD fair market rents for Watsonville.

K. Housing Conservation

In November 1985, the City's Community Development staff conducted a sidewalk survey to quantify housing conditions within the older areas of Watsonville. A total of 533 units were inspected with 218 needing major rehabilitation (numerous housing and building code deficiencies), 288 needing minor rehabilitation (general maintenance) and 27 were dilapidated (rehabilitation not feasible) beyond repair. In February 1986, 275 households from the original sample were surveyed to determine if a correlation existed between housing condition and household income. The City received 162 (59%) responses to this latter survey which showed that 126 (77%) of the households living in deteriorating dwellings are at or below 80% of the areas median income.

Using this survey information and census indicators of housing conditions, it is estimated that between 1,200 to 1,500 units citywide are suitable for conservation. Of this number, the City is rehabilitating approximately forty (40) units every eighteen (18) months through the combined WHIP and Rental Rehabilitation programs. The City anticipates about 18 of these units will be owner-occupied, with twelve of the twenty-two renter units preserved at affordable rents through five year rent stabilization agreements.

V. HOUSING ANALYSIS

This section of the Watsonville housing element is an evaluation of the supply and demand factors that will operate to either generate a demand for new housing, or serve to constrain its production. While costs have been increasing in Watsonville, as they have in Santa Cruz County and California, it appears that during the next five years, Watsonville will continue to experience a slight cost advantage over the surrounding market area.

Population growth through 1991 will increase demand for housing. The AMBAG regional fair share projects a need for 3,065 new units between 1980 and 1990. The City of Watsonville has projected a need for 2,215 units between 1985 and 1991.

These 2,215 units will serve the 1,996 new households expected to be formed between 1985 and 1991. Table 23 shows that the projection of 10,885 Watsonville households by 1991 have been allocated to four income groups in order to achieve the regional fair-share distribution. The projected net increase of 2,095 units will use up the available vacant land now zoned for housing (234 acres). However, the housing stock could be expanded by another 700 units by the development of second units on large lots now used for single-family occupancy, and the development of apartment units at the second and third levels above commercial uses in the central business district.

In addition to reaching the new construction objective by income level, the Watsonville housing program also contains an objective of housing conservation for 60 renter-occupied and 40 owner-occupied housing units. Affordable rents in the renter-occupied units will be maintained by the use of Rent Stabilization agreements.

A. Housing Costs

The ability of households to find affordable housing is a function of income compared to costs. Household incomes are lower in Watsonville compared to the rest of the county, but so are housing costs. Table 17 below compares income levels and payment levels for households in Watsonville and in Santa Cruz County.

TABLE 17
INCOME AND HOUSING PAYMENT LEVELS
1980

| | Median Household <u>Income</u> | Median Monthly Owner <u>Costs</u> | Median Monthly Renter <u>Costs</u> |
|----------------|--------------------------------------|--|---|
| Watsonville | \$14,437 | \$344 | \$258 |
| Santa Cruz Co. | \$16,877 | \$455 | \$303 |

SOURCE: 1980 Census

Table 17 above shows that median monthly owner costs in Watsonville are 28.6 percent of median monthly income, and median monthly renter costs are 21.4 percent of gross monthly income. In the county overall, median monthly owner costs were 32.4 percent of gross monthly income and median monthly rental costs were similar to Watsonville at 21.6 percent of gross monthly income. These 1980 median rental rates are a combination of apartment rentals and single-family homes. Families with children and needing to rent a single-family home must pay a substantially higher rate. The 1980 median monthly rent level for single family homes in Watsonville was \$284, while the rate was \$364 for the county overall. In general it can be said that small households with one or two persons can expect to find rental housing at an affordable rate. Large households will nearly always have to pay more than 25 percent of their gross income for rental housing.

Rental costs have increased substantially since 1980. Studio apartments in Watsonville now cost about \$300 per month; one-bedroom units, \$435; two-bedroom units, \$600; and three-bedroom units command an average of \$775 per month. Probably due to the large number of older homes in Watsonville, the owner-estimated market value as of 1980 was substantially less than the median value countywide. Table 18 below shows the distribution of estimated value for owner-occupied units in 1980. While 65 percent of all owner-occupied units in Watsonville were valued at under \$80,000, only 31 percent were valued under \$80,000 in the county overall.

TABLE 18
ESTIMATED VALUE OF OWNER OCCUPIED HOUSING
1980

| <u>Value</u> | <u>Watsonville</u> | <u>Countywide*</u> |
|-----------------------------------|--------------------|--------------------|
| 1. Less than \$10,000 to \$20,000 | 1.8% | 1.0% |
| 2. \$20,000 to \$40,000 | 5.8% | 3.5% |
| 3. \$40,000 to \$60,000 | 20.6% | 8.1% |
| 4. \$60,000 to \$80,000 | 36.8% | 18.5% |
| 5. \$80,000 to \$100,000 | 23.1% | 22.3% |
| 6. \$100,000 to \$150,000 | 9.3% | 27.3% |
| 7. \$150,000 or more | <u>2.6%</u> | <u>19.3%</u> |
| Median Value | \$72,700 | \$93,800 |

*excluding Watsonville

SOURCE: 1980 Census

Costs of developing and purchasing new housing serves as a constraint to both developer and buyer. City housing policy can influence only a portion of these cost components. While local policy can have little influence on the cost of building materials, labor, financing and insurance, it can have a significant effect on two critical cost components -- raw land zoned for residential use and the extension of urban services that makes raw land available for development. An adequate supply of vacant land planned and zoned for new residential development, and a program to extend urban infrastructure to serve this land can make it possible for the private sector to provide moderate cost housing.

Ownership is less expensive in the City of Watsonville than it is in the Santa Cruz County housing market area. A combination of census data and data from the Watsonville/Santa Cruz Board of Realtors shows that as of mid 1980 owners of existing housing in Watsonville set a median value of \$72,700 on their units while the median asking price for a three-bedroom unit was \$78,500. The median value of owner-occupied units in Santa Cruz County was reported to be \$93,800, while the average asking price of units listed for sale by the MLS was \$110,200. This example illustrates two important features of the local housing market: (1) The cost of ownership is lower in Watsonville than it is in the surrounding market area, and

(2), Homeowners continue to expect the value of their home investment to show a substantial increase in value upon resale.

The expectation of higher value on existing homes sold or rented to new residents is universal to all areas of Watsonville. Table 19 displays this expectation by reporting the difference in estimated value and asking price on owner-occupied homes and the difference between median rent paid and asking rents on vacant rental units. All values listed are the median and all estimates are for April 1, 1980.

TABLE 19
COSTS AND VALUE OF OCCUPIED HOUSING COMPARED
TO PRICE ASKED FOR VACANT HOUSING

| <u>Census Tract</u> | <u>Value of Owner Occupied</u> | <u>Asking Price of Units For Sale</u> | <u>Rent Paid</u> | <u>Rent Asked</u> |
|---------------------|--------------------------------|---------------------------------------|------------------|-------------------|
| 1101 | \$64,700 | \$73,600 | \$256 | \$260 |
| 1102 | 77,600 | 87,000 | 226 | 258 |
| 1103 | 56,200 | 67,500 | 212 | 238 |
| 1104 | 53,500 | * | 187 | 146 |
| 1105 | 75,000 | 80,000 | 262 | 247 |
| 1106 | 84,400 | 99,300 | 219 | 342 |
| 1107 | <u>67,500</u> | <u>*</u> | <u>206</u> | <u>*</u> |
| Citywide | \$72,700 | \$88,900 | \$231 | \$244 |

*less than five units for sale or for rent.

B. Projected Housing Need

The Association of Monterey Bay Area Governments (AMBAG) has estimated future housing needs for the period of April 1, 1980, to April 1, 1990. The total regional need has been allocated to each city and county within the AMBAG jurisdiction. The AMBAG Regional Housing Needs Report, December, 1983, has allocated a 10-year need of 3,065 new housing units for Watsonville in order to accommodate population growth, new household formations, a vacancy allowance and an expected replacement rate of 2 units per 1,000 existing, per year. This construction need estimate

is based on a ten-year population growth projection of 6,457 and a decline in average household size from 2.83 persons per unit to 2.70 persons per unit.

Regional population growth estimates for Watsonville are slightly higher than estimates provided by the Population Research Unit of the Department of Finance. Table 20 shows the difference. All state estimates are for January 1 of each year, while regional (AMBAG) estimates are for April 1 of each year.

TABLE 20
STATE AND REGIONAL POPULATION ESTIMATES
1980-1985

| | 1980* | 1981 | 1982 | 1983 | 1984 | 1985 |
|--------|--------|--------|--------|--------|--------|--------|
| D.O.F. | 23,543 | 23,930 | 24,127 | 24,687 | 25,135 | 26,266 |
| AMBAG | 23,543 | 23,900 | 24,300 | 24,800 | 25,700 | 26,600 |

*Census, 1980

SOURCE: State of California and Association of Monterey Bay Area Governments

The AMBAG regional forecast was based on trends observed from 1980 to 1983. Between 1984 and 1985 growth has accelerated and the city planning department has used this trend to project a city population of 33,235 by April of 1991. Starting from the 1985 Department of Finance estimate of 26,266, Watsonville has projected an average annual population increase of 4 percent. This forecast results in a 1991 city population of 33,235. The housing needs resulting from the city projection are higher than the ten-year allocation of regional need made by AMBAG.

The regional average annual construction rate is 307 units per year, compared to Watsonville's projected need for 369 units per year from 1985 to April 1991. During the first six years of the AMBAG fair share projection period, Watsonville's construction need was for 1,842 units. Actual construction during this period was 1,279 units leaving an unmet need of 563 units. In order for the City to achieve the regional fair share goal, housing production would have to increase to an average of 447 units per year through April 1990. Considering the City's rate of production during the last six years has been 213 units per year it may not be possible to accelerate this rate to 447 units per year in order to make up the shortfall in regional fair share. This possibility is mitigated by the fact that Watsonville already exceeds the regional fair share concentration of lower income households.

Given that city projections are higher than the original regional projections, they have been used to calculate housing construction needs. The following assumptions have been used to calculate these needs.

1. Population increase from 1985 to 1991 will be 6,969.
2. Average household size will increase from 2.91 persons per unit in 1985 to 3.00 persons per unit by 1991.
3. A vacancy rate of five percent will be needed to provide for population mobility.
4. Replacement of existing units will be needed to account for loss due to fires, demolition, redevelopment and other causes. The rate of replacement will be two units per 1,000 per year.
5. There will be a slight increase in group quarters population to account for growth in the senior citizen population, but this growth will not exceed two percent of the total population.
6. The allocation of regional housing needs to Watsonville will be less than the city projected growth from 1986 to 1991.

Table 21 shows the new construction needs estimate resulting from the above listed assumptions.

TABLE 21
PROJECTED HOUSING CONSTRUCTION NEED
1986-1991

| | <u>1985</u> | <u>1986</u> | <u>1987</u> | <u>1988</u> | <u>1989</u> | <u>1990</u> | <u>1991</u> |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| City Population | 26,266 | 27,317 | 28,410 | 29,546 | 30,728 | 31,957 | 33,235 |
| Population in Group Quarters | 400 | 430 | 460 | 490 | 520 | 550 | 580 |
| Household Population | 25,866 | 26,887 | 27,950 | 29,056 | 30,208 | 31,407 | 32,655 |
| Households | 8,889 | 9,053 | 9,317 | 9,685 | 10,069 | 10,469 | 10,885 |
| Persons Per Household | 2.91 | 2.97 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Units Needed for New Households | | 164 | 264 | 368 | 384 | 400 | 416 |
| Units Needed for Vacancy Factor | | 8 | 13 | 18 | 19 | 20 | 21 |
| Units Needed for Replacement | | 20 | 20 | 20 | 20 | 20 | 20 |
| Total Construction Needed | | 192 | 297 | 406 | 423 | 440 | 457 |

SOURCE: City of Watsonville Planning Department

Between 1986 and 1991, Watsonville will need to issue building permits at the average annual rate of 369 in order to meet this projected level of need.

Table 22 shows the distribution of projected housing needs by type. This distribution follows the same proportion of housing units by type as existed in 1980.

TABLE 22
PROJECTED HOUSING NEED BY TYPE

| <u>Type</u> | <u>Units Needed 1986-91</u> |
|----------------------------|-----------------------------|
| Single Family | 1,263 |
| Duplex to Fourplex | 241 |
| Apartments (5+ units) | 574 |
| Mobile, Trailer & Other | 137 |
| Total Units | 2,215 |

SOURCE: City of Watsonville Planning Department

C. Fair Share Distribution

The California Government Code requires that every locality must consider and attempt to accommodate a fair share of the housing needs generated by growth within the region. The Watsonville housing analysis and housing program has taken this responsibility into consideration.

Table 21 shows that during the six-year housing program period there will be an increase of 1,996 households and a total construction need of 2,215 units. As this growth occurs it will be the objective of Watsonville to reduce the concentration of lower-income households from the 51.5% level that existed in 1980 to a level of 41.3%, the regional fair share. This does not mean that the need for affordable housing does not exist. Given the projected rate of household formations, it means that less housing units will be needed for lower income households relative to moderate and higher-income households. Table 23 shows this quantified objective of change in household income distribution between 1980 and 1991.

TABLE 23
CHANGE IN HOUSEHOLD INCOME DISTRIBUTION
1980-1991

| Income Range | Households | | Change |
|-----------------|------------|--------|---------------|
| | 1980 | 1991 | |
| 1. Very Low | 2,512 | 2,743 | 231 (9.2%) |
| 2. Other Low | 1,700 | 1,752 | 52 (3.1%) |
| 3. Moderate | 1,732 | 2,308 | 576 (33.3%) |
| 4. Higher | 2,228 | 4,082 | 1,854 (83.2%) |
| Total | 8,172 | 10,885 | 2,713 (33.2%) |

SOURCE: City of Watsonville, Planning Department

The allocation shown in Table 23 achieves the regional fair-share distribution of 41.3 percent lower income households. While the concentration would be reduced, the actual growth in the number of lower income households would be 283 between 1980 and 1991. There would be a continuing need for housing affordable to lower income households. Achievement of a decrease in the concentration of lower income households will require continuing efforts at job skill training and local economic development, as well as conservation of the affordable housing stock.

D. Current Construction Activity

Housing production was depressed from 1980 to 1983 due to high interest rates on mortgage loans. As those rates have started to decline, production has increased substantially. Current projects under review by the Planning Department indicate the potential for a sustained rate of about 400 or more units per year for at least the next two to three years. As of February, 1985, the Planning Department had fourteen different residential development projects under review. Half of these projects, totaling some 330 units, were clustered within a triangular shaped area bounded by Main Street, Green Valley Road, and Pennsylvania Drive.

It cannot be easily demonstrated, but it is highly probably that some development pressure in Watsonville can be attributed to growth management programs in Santa Cruz County. From May of 1983, to August of 1985, the city has issued 599 building permits for new housing units. This translates into an annual average of 266 units. Given that there are 600 to 800 dwelling units pending approval at this time, it can be concluded that Watsonville will continue to experience residential development pressure for several years to come.

The conversion of apartment units to condominiums can result in the loss of affordable rental housing. To

prevent this from happening, the city has enforced Ordinance No.447-78. Within the Santa Cruz County housing market area, conversions are taking place but not in Watsonville. Between 1977 and 1982, a total of 80 apartment projects containing 462 units were converted to condominium use. Most conversions took place within the unincorporated area, totaling 74 projects and 268 units. None took place in Watsonville or Scotts Valley. It is important to maintain the stock of affordable rental units, but at the same time it must be recognized that conversion can result in one of the least costly forms of home ownership for the first-time buyer.

From January 1, 1980 to April 1, 1986, the Watsonville building department has issued 2,764 building permits. Of these, 1,155 permits allowed the construction of new housing units and a large number of permits were issued for alterations and additions to existing housing units. New housing permits issued from January 1, 1984, to April 1, 1986, have totaled 661 units.

The list of fourteen residential projects pending is shown on Table 24. This list shows a very strong level of interest in new construction.

TABLE 24
PENDING RESIDENTIAL PROJECTS
1985

| <u>No.</u> | <u>Developments Pending</u> | <u>Units</u> | <u>Zoning</u> |
|-------------|-----------------------------|--------------|---------------|
| 1. | Green Valley Highlands | 175 | R-3 |
| 2. | Trinity Meadows | 22 | R-1 |
| 3. | Pine Ridge | 80 | R-3 |
| 4. | Apple Hill | 152 | R-2 |
| 5. | Maranatha Meadows | 24 | R-2 |
| 6. | Madonna Vista #1 | 22 | R-2 |
| 7. | Madonna Vista #2 | 15 | R-2 |
| 8. | Madonna Vista #4 | 12 | R-2 |
| 9. | Madonna Vista #5 | 28 | R-2 |
| 10. | Madonna Vista #6 | 54 | R-2 |
| 11. | Winchester Acres | 24 | R-2 |
| 12. | Bay Village #5 | 16 | R-1 |
| 13. | Bay Village #6 | 12 | R-1 |
| 14. | Victorian Village | 24 | R-3 |
| Total Units | | 660 | |

SOURCE: City of Watsonville, Planning Department

The gradual but steady increase in residential density now appears to be placing stress on local streets and in particular, traffic circulation in the downtown area.

E. Land Availability

Watsonville has a limited but adequate supply of vacant land for the next five years. Unlike many California localities, the largest share of residentially zoned vacant land has been designated for multiple-family density, 10 to 20 units per acre. As of February, 1985, a total of 233.7 acres of vacant residential land was available for future development.

Watsonville allows for the development of second units on lots now zoned for single-family occupancy. In addition, residential development is allowed on the second and third levels of commercial buildings in the central business district. Together, this land use policy could result in an additional 700(+/-) housing units more than would be indicated by the holding capacity shown on Table 25.

The majority of land zoned for multiple-family construction (attached units), will accommodate a medium level density of 10 units per acre. Housing at this density can take many forms such as attached units in clusters of two to four, garden apartment clusters of five or more units per structure, and the more traditional apartment buildings with common courtyards. The supply of 133.3 acres of land zoned for medium density multi-family use would accommodate 1,333 individual units at full build-out. Considering the need to build housing affordable to lower income households, the most important vacant parcels are those designated for high density use at 20 units per acre. The 18.9 acre supply of this high density land has the potential to provide 378 housing units, if not constrained by environmental limitations. Housing developed at this density usually takes the form of two or three story apartment/condominium clusters with common open space and shared parking.

The full build-out potential of multi-family land is estimated to be 1,711 units. Using the projection of housing units by type, Table 22, it can be seen that the available supply of vacant land zoned for multi-family development at present, far exceeds the projected level of need, by about 896 units. This presents a very useful opportunity for the city to encourage builders to construct about 800 clustered housing units, at a gross density averaging 15 units per acre, over the next five years. At this density level, about 50 acres of land would be developed from the present supply of 153 vacant acres. The city anticipates that many of these units would be sold to first-time buyers in the moderate to high income level.

TABLE 25
HOLDING CAPACITY OF VACANT RESIDENTIAL LAND
1985

| Zoning | Vacant Acres | Density Units/Ac | Holding Capacity, Units |
|--|-----------------|---------------------|-------------------------------|
| R-1: single family (low density) | 81.5 | 5 | 408 |
| RM-2: multi-family (medium density) | 133.3 | 10 | 1,333 |
| RM-3: multi-family (high density) | 18.9 | 20 | 378 |
| Total | 233.7 | 9.07 | 2,119 |

The availability of financing and the unit cost of land for residential development does not appear to be a non-governmental constraint to housing development at this time. There is a wide range in land costs depending upon lot size and location. On larger parcels zoned for multi-family construction, land can be purchased in the \$40,000 to \$45,000 per acre range. However, large lots zoned for single-family construction can command a price range of \$40,000 to \$50,000.

F. Market Constraints

The Construction Industry Research Board (CIRB) has documented the increasing costs of converting raw land to housing and a suitable living environment. The costs of financing new development has made the largest gain over the last ten years while the costs of labor and materials has declined as a share of total development costs. Table 26 below shows the change in cost components related to the building of an "average" 1,600 square foot single-family home in California. These cost components should be viewed with caution as they represent a composite for all California communities. Costs in Watsonville may be substantially different.

TABLE 26
CHANGE IN COST COMPONENTS FOR BUILDING
A 1,600 SQUARE FOOT SINGLE FAMILY HOME

| <u>Cost Components</u> | <u>1970 Cost/Percent</u> | <u>1980 Cost/Percent</u> |
|------------------------|------------------------------|------------------------------|
| Materials | \$11,020 / 35% | \$25,920 / 27% |
| Labor | 6,560 / 21% | 14,850 / 15% |
| Land* | 6,600 / 21% | 26,700 / 28% |
| Overhead & Profit** | <u>7,220 / 23%</u> | <u>28,530 / 30%</u> |
| | \$31,400 100% | \$96,000 100% |

* with improvements

**interim financing, taxes, fees, marketing and profit

SOURCE: City of Watsonville, Planning Department

If the rate of cost increase shown in Table 24 has continued on from 1980 to 1985, the typical three-bedroom home described in this example now costs \$128,300 to develop and market. The availability of financing for new development does not appear to be a market constraint in Watsonville.

It is difficult to generalize about land costs as a non-governmental constraint on the production of housing. Land costs are very sensitive to location and demand. In Watsonville a single family lot with improvements can range between \$40,000 to \$60,000 depending on location. The use of City leased land may be one avenue to providing additional affordable housing.

G. Government Constraints

Watsonville uses its police power authority, including land use zoning, in order to provide for public safety, health and the attainment of objectives for community development as specified in the General Plan. This authority must be used with sensitivity or its application may inadvertently create hardships for lower income households. Watsonville uses land use regulations, design standards and development fees to improve the quality of life in the community for persons at all economic levels. Development is guided by the policies and programs of the General Plan.

Time required to complete the development review and permit procedure can add costs to the residential development process. Watsonville is aware that standards for flood prevention, installation of traffic signals, and other required site improvements will add to the overall cost of housing. However, over the long run, these improvements provide for a higher quality of urban living and higher resale values.

Fees charged for the provision of urban services have increased as a consequence of strict limitations placed on local government's ability to finance improvements by the use of general obligation bonds. Most fees charged on new development are passed along to the consumer in the selling price of the unit. It appears that in the past, development fees in Watsonville have been lower than surrounding jurisdictions, amounting to four or five percent of market value. Depending on the type of housing being produced, development fees of \$4,000 to \$4,500 per unit are typical. If a proposed subdivision is not consistent with zoning and General Plan designations, fees ranging from \$700 to \$1,500 will be charged for rezoning and general plan amendments. New projects requiring annexation to the city will be charged \$200 to \$700, depending on size. Design Review fees for multi-family projects will range between \$75 to \$750. Sanitary sewer connection fees for new housing units will cost \$950 if located inside the city and \$1,900 if located outside. Provision of storm drainage will be charged on a per acre basis at the rate of \$2,400 for low density, \$3,000 for medium density, and \$3,600 per acre for projects exceeding 7.5 units per acre.

In an effort to reduce development cost Watsonville has reduced guest parking requirements in multi-family housing to one space per eight bedrooms. The City also allows the use of low-sodium light fixtures which are less expensive than other types of lighting.

Local governments in California cannot develop, construct or acquire public housing without first obtaining voter approval under Article 34 of the State Constitution. This requirement does not apply to the federally financed Section 8 Rental Assistance Program because the housing being rented to lower income families remains in private ownership. Voters in Santa Cruz County and the City of Watsonville have passed Article 34 referendums in the past. In 1978, the Housing Authority of the County of Santa Cruz was authorized to build 300 low cost units. In 1979, another measure was passed with joint city/county support for another 250 units, and in late 1980, the voters of Watsonville approved a measure to allow 80 subsidized units to be built in Watsonville. These units have been developed and are now fully occupied. Most government financing programs for publicly assisted housing have now been eliminated or heavily reduced. In the coming years, moderate cost housing will be developed under the private sector with financial incentives provided by local governments. These incentives will take many forms under the concept of public/private partnership ventures. Perhaps the most useful form of incentive that local government may grant is the provision of additional housing units within a development, above the maximum number of units that would otherwise be allowed under conventional zoning. This award of a "density bonus" could be granted in exchange for the provision of units affordable to persons of very low, low, and moderate income levels.

Wastewater treatment capacity and water supply services appear adequate to accommodate expected growth up to 1991. The extension of utility services to areas within the sphere of influence will be faced with an ongoing policy conflict between provision of an adequate housing supply and the preservation of productive farm land.

The costs of development processing and the extension of utility services are important issues in the housing production process, but the time required for permit processing can add large holding costs to a project. Interest rates paid on short-term development loans can add several thousand dollars per unit to the final market price. Speed and efficiency in the development review process is an important contributing factor in the objective of providing affordable housing opportunities. Watsonville has streamlined the review process and is continuing to explore other improvements.

While city government has direct authority over land supply for new housing and the number of units permitted per acre, it has almost no control over the availability of state and federal funding for housing assistance. Federal funding of the Section 8 new construction program for low income families and the Section 202 program for the elderly is

nearly non-existent at this time. The City of Watsonville must operate in a fiscally responsible way and the providers of housing must continue to expect a reasonable amount of return on the investment of capital.

H. Manufactured Housing

Mobile homes, trailers, and units built with prefabricated sections are a small but important component of the local housing stock. Mobile homes are nearly always less expensive to buy and rent than conventional housing. They provide a very important source of affordable housing for newly formed households just entering the housing market and for retired persons wanting smaller units with less maintenance. Watsonville has taken steps to preserve the affordability of existing mobile homes by zoning all mobile home parks at the RM-2 density which allows for development at ten (10) units per acre.

At least 8 percent of the current stock in Watsonville can be classified as mobile or manufactured housing. The City allows manufactured housing to be placed on any single-family (R-1) lot in the city and has a policy to allow this type of housing to increase to 10 percent of total stock. Between 1980 and 1985, the stock of mobile homes has increased by 61 units. Watsonville will continue to use mobile homes as a means of providing for the conservation of affordable housing.

Because of changes in the law, construction standards, and market pressure, mobile homes are no longer treated as vehicles and residents of manufactured housing are no longer considered to be temporary population. The trend for the future will be for manufactured housing to take its place side-by-side with conventional housing and for new mobile home parks to become manufactured housing subdivisions. These new subdivisions, similar to conventional subdivisions, will be occupied by some renters and some owners of manufactured units placed on lots of 3,000 to 4,000 square feet that can also be purchased along with the unit.

To regulate the location and conditions of use, the City of Watsonville has adopted Ordinance No. 529-81. This ordinance recognizes that manufactured housing has a role to play within the overall housing development pattern in Watsonville. As of 1980, Watsonville contained 666 mobile homes or trailers. These units were located in three census tracts: 41 in tract 1104, 453 in tract 1105, and 172 in tract 1106.

I. Energy Conservation

Consideration for energy conservation is directed towards both residential use and the costs of transport from home to work. Most residential energy service in Watsonville is provided by the Pacific Gas and Electric Company. Service is considered adequate. Public transit is provided by the Santa Cruz County Metropolitan Transit District. This bus system serves the city with three major routes. During the last five years Watsonville has issued more than 600 building permits for solar hot-water heating systems.

Watsonville is aware that higher density housing built in clusters with common walls and southern exposure of window areas, can be an effective energy saving techniques in new development. Watsonville is also working towards the development of new housing opportunities in the central city area. Housing in the downtown area would allow more people to walk to work or use public transit. Data from the census indicates that 67 percent of the work force drives to work alone in a private vehicle, 20 percent drive in a carpool of two or more persons, 2 percent use the bus, 6 percent walk to work, 2 percent work at home and the remaining 4 percent use other means such as bikes, airplanes or trains. The circulation and land use elements of the General Plan are now being revised. During the process, the city will evaluate further the energy saving consequences of providing housing close to centers of employment, provision of pedestrian circulation routes within the city neighborhoods, and improvements to public transit service. Watsonville encourages the use of both passive and active solar hot water and space heating systems. Weatherization and insulation of homes is also promoted both privately and under the CDBG housing rehabilitation program (WHIP). Between 1980 and 1985, 77 building permits have been issued for solar hot water systems.

J. Historical and Architectural Value

Watsonville has a rich and significant heritage of older residential structures. These structures provide a charm and personality to the community that cannot be easily duplicated under the financial constraints of contemporary building techniques. Several hundred older homes can be classified as having architectural value and nearly 100 units have been classified as having architectural and/or historical value. It has long been a housing policy of Watsonville to protect and assist in the renovation of these structures. This policy is enforced by Ordinance No. 634-84 (CM).

K. Availability of Financing

Currently, mortgage interest rates are at a cyclical low with most lenders offering a 30-year fixed mortgage at about 9-1/2%. Mortgage money is readily available for Watsonville residents with enough liquidity to advance a 20% down, 2% pre-interest (points) and other loan origination fees. The drop in the interest rate has opened a window of opportunity for many borrowers that overcommitted themselves to refinance high interest, balloon payment loans.

The City has very little impact in determining the amount and availability of financing. The availability of mortgage money is often directly related to national and international bank operations and foreign loans. Clearly the City is only a passive observer of these activities.

L. Summary of Housing Analysis

1. Housing costs, especially rental costs, have increased substantially during the last five years in Watsonville. However, there appears to be a slight cost advantage in Watsonville relative to the surrounding market.
2. Between 1986 and 1991, the population of Watsonville is expected to grow by about 1,162 persons per year. This growth, the need to provide for an adequate vacancy rate, and the need to provide for replacement housing, will result in a need to build about 369 housing units per year over the next five years.
3. During the next five years Watsonville will attempt to reduce the concentration of lower income households to the regional fair-share level. It is projected that by 1991 there will be 4,922 lower income households living in Watsonville.
4. There is close to a two-year supply of housing now in the project review stage.
5. In total, there is enough land zoned for residential uses to accommodate the five-year projected construction need of 2215 units.
6. The costs of housing development has been increasing faster than median household income. Asking prices on units for sale remain higher than estimated market values.
7. Present fiscal limitations on the delivery of local government services will probably continue for the next five years. Some of these costs will be apportioned to

new development in the form of fees and required dedications. Most of these costs of development will probably be passed along to the home buyer. Incentives for the development of housing affordable to low and moderate income households can be provided in the form of fee waivers.

8. Manufactured housing has been and will continue to be an important segment of the lower cost housing stock in Watsonville. By 1991, mobile homes and manufactured units will supply seven to ten percent of the total stock.
9. Higher levels of energy efficiency and reduced consumption of fossil fuels can be achieved by high standards for insulation in housing construction and the provision of both passive and active solar water and space heating.
10. Watsonville will continue to promote the preservation and renovation of historic structures.
11. Approximately one hundred (100) units will be conserved between 1986 and 1991 through the Watsonville Housing Improvement Program. It is anticipated that sixty units will be renter occupied and forty units will be owner occupied. The low interest financing coupled with a rent stabilization agreement will conserve mortgage payments and rents at affordable levels.

VI. POLICIES AND PROGRAMS FOR HOUSING

This section of the Watsonville housing element contains the action plan for meeting the housing needs described in the previous sections. This five-year program builds upon previous and ongoing activities the city has employed to protect and improve housing.

The overall goal for housing is supported and defined by a set of housing policies. Policies are the adopted legislative position of the Watsonville City Council. These policies will be implemented by the administrative actions of the Planning staff and the conditions of project approval established by the Planning Commission.

The program activities described here encompass both the police power of the city to regulate development and discretionary actions the city may undertake to facilitate the conservation of the existing housing stock and the development of new housing for households at all economic levels.

The City of Watsonville will continue to use its land use and housing development authority to facilitate housing production for persons at all economic levels. At the same time, it is recognized that affordable housing must be provided within a suitable living environment. The creation of this suitable environment requires a continued public investment in urban services and this cost must be part of the housing cost formula.

A. Housing Goal

In preparing this element, full consideration has been given to long-range land use policies contained in the adopted General Plan and the more specific housing policies found in the Housing Element of 1982. This housing element has identified existing and projected housing needs, made an analysis of those needs, and has established a schedule of program actions for the preservation, improvement and development of housing in Watsonville. The overall goal for housing in Watsonville extends beyond the five-year program for implementation and is consistent with California policy for the provision of housing. The policies of the City of Watsonville will be implemented in order to move towards the long-range goal:

TO CREATE AN ADEQUATE SUPPLY OF SAFE AND AFFORDABLE
HOUSING WITHIN A SATISFYING URBAN ENVIRONMENT FOR ALL
CURRENT AND FUTURE RESIDENTS OF THE CITY OF WATSONVILLE

B. Housing Policies

Policies adopted by the Watsonville City Council will guide the implementation of the housing goal and will serve to achieve long-range objectives for community development. Each policy statement will be considered in the review and evaluation of residential development projects presented to the city during the period included from the date of adoption of this housing element until June 1 of 1991, or another date selected by the City Council for the purpose of updating this element of the General Plan.

In order to move towards attainment of the adopted goal for housing in Watsonville, the following housing policies have been adopted.

1. To provide for an adequate number of new housing units, units needed for replacement and units needed for maintenance of a healthy vacancy rate, the City will permit the construction of 2,215 housing units between April 1986 and April 1991.
2. Each housing development proposal will be evaluated on its own merits and the total number of requested development permits will not be limited by any formal system of annual permit limitations.
3. The City will require that all residential development projects of ten or more units shall submit marketing plans to identify the price range of the units being developed, the size of units, and the expected occupancy of owners and renters.
4. The city will encourage the integration of housing affordable to lower income households within projects of ten or more units. The City may either grant a density bonus or provide other incentives of equivalent financial value.
5. Ordinance No. 447-78 (CM): control of conversion over tenure from apartment rental-use to owner-occupancy status shall remain in effect at all times that the effective rental vacancy rate remains under three percent of available rental housing stock. Exception to this existing policy shall be granted when an applicant for approval of conversion agrees to provide four out of every ten dwelling units (40%) to households of moderate or lower income.
6. Energy efficiency in new housing will be required as a design feature in all housing development proposals of five or more units. The use of high efficiency appliances will be encouraged as will energy efficient site orientation and the use of solar heating systems.

7. To expand the supply of small housing units intended for the occupancy of one or two persons, aged 60 or older, the city may amend the zoning ordinance to provide for secondary housing units on lots currently used for single family detached units. The total supply of secondary housing units shall be controlled by conditional use permit with no more than one secondary unit per lot and a total stock not to exceed 300 secondary units citywide by 1991.
8. To maintain the quality and affordability of older neighborhoods, the city shall continue to participate in the Community Development Block Grant Program and will encourage private sector investment to achieve similar objectives. One objective of this program will be to rehabilitate up to 15 housing units per year. This policy also includes continued cooperation with the Housing Authority of Santa Cruz County in the development of new or substantially rehabilitated Section 8 housing units.
9. To the degree consistent with general plan land use policies, the city will zone for the development of medium to high density (10 to 20 units per acre) residential use within the central service area of the city. Mixed use projects combining commercial and residential uses will be encouraged as will housing suitable for senior citizens.
10. Lots acquired by the city by reason of tax delinquencies or by gift, may be zoned for the development of housing for low- and moderate-income households when residential use would be consistent with the land use policies of the general plan.
11. The City will provide administrative assistance and other financial incentives to nonprofit housing development corporations, including the Housing Authority of Santa Cruz County, when acquiring sites and developing affordable housing for persons with low and moderate incomes.
12. The city will employ its authority over land use development to minimize and, when necessary, to restrict housing construction in environmentally hazardous areas. This policy also applies to the protection of environmentally sensitive habitats such as wetlands and riparian corridors.
13. The city will promote, encourage and zone for higher density use of vacant and underutilized parcels within the older urban areas of the city. This policy serves to encourage the consolidation of small lots.
14. The city will continue to promote preservation and rehabilitation of historical and architecturally significant buildings. This policy will include design

review over the conversion of large single-family structures to multi-family use.

15. It has been and continues to be the policy of the City of Watsonville to promote and assure equal housing opportunity for persons of all ethnic backgrounds and at all economic levels.
16. It shall continue to be the policy of the City of Watsonville to disperse low-moderate income housing throughout the City.

C. Housing Programs

The following administrative actions will be carried out in order to implement the legislative intent of the adopted city policies for housing. Progress towards their accomplishment will be evaluated yearly as part of the annual general plan review. Many of these implementing measures were established under 1982 housing policies, but as long as they remain productive, they will remain in effect.

1. **Housing Production**
Reference to Policy 1,2,3,4
- 1.(a) The city will provide planning and development review services to the general public so that about 369 new housing units per year can be approved for addition to the existing housing stock.

The Planning staff and Planning Commission will monitor new housing development to ensure that a wide variety of housing types are being provided and that the conditions of approval are consistent with general plan objectives for land use, open space, and the provision of public services. The City will encourage the continued development of moderate-cost housing by private not-for-profit development corporations (ongoing to 1991).

- Reference to Policy 2
- 1.(b) The planning and development review process will operate within the overall General Plan objectives for community development so that between 2,215 housing units can be developed between 1986 and 1991. The housing development process will be reviewed annually but no annual quota system will be established to restrict the issuance of permits for development (ongoing, annual review).

- Reference to Policy 3 & 4
- 1.(c) Every market rate housing development project of ten or more units will be required to submit a marketing plan. This plan will be reviewed by the Planning Department to determine how the new units will be marketed. The long-range objective of this program is to maintain a balance between owner-occupied and renter-occupied housing, and to assure the development of moderate-cost housing (ongoing, as needed).

Reference to
Policy 9

1.(d) The Planning Department will maintain a current inventory of all vacant sites within the city and their potential holding capacity for new residential development. During 1987, a land use evaluation process will be undertaken to help identify underutilized urban land and the adequacy of land zoned for all types of residential use. This land use evaluation will determine the most appropriate areas for future urban uses and the potential for re-use and mixed use projects within the central business district (December 1987).

Reference to
Policy 10

1.(e) The Planning Department will evaluate the potential use of lands now owned by the city, or acquired at a later date, for the development of low- and moderate-cost housing (September 1987).

Reference to

1.(f) The City will continue to see that low moderate income housing is dispersed throughout the City in order to avoid concentration of lower income households (ongoing to 1991).

2. Housing Conservation

Reference to
Policy 8

2.(a) It is city policy to provide for an adequate supply of new housing. At the same time, it is recognized that affordable housing can best be achieved by the preservation and rehabilitation of the existing housing stock. To implement this policy, the city will continue to operate the Community Development Block Grant Program. The primary objective of this housing assistance program shall continue to be the rehabilitation of substandard housing units that are now, or will be, providing affordable housing for households with low and moderate income levels. Owners of rental housing will be required to enter a Section 8 Agreement with the Housing Authority of Santa Cruz County or rent stabilization agreement (ongoing to 1991).

Reference to
Policy 11

2.(b) The city will continue to provide staff assistance for the review and evaluation of projects intended to upgrade the physical condition of existing housing while at the same time, keeping the housing affordable to persons of low and moderate income (ongoing to 1991).

Reference to
Policy 8

2.(c) The housing rehabilitation program will be operated on a revolving fund basis with loan repayments being used to help provide staff support and to generate new loans. This program is expected to remain available for at least five years and may extend beyond this period by the reuse of loan payments (ongoing to 1991).

Reference to Policy 8 2.(d) The Watsonville Housing Improvement Program (WHIP) will generate up to fifteen rehabilitation projects per year. The city will employ the services of a rehabilitation specialist to ensure the adequacy of all work performed and the services provided by the city will be focused on special needs households as described in Section III of this element (ongoing to 1991).

3. Rental Conversion 3.(a) The policy of preventing the conversion of rental housing to owner-occupied housing, shall remain in effect, unless the vacancy factor for the City is more than 3% (ongoing to 1991).

Reference Policy 5 3.(b) The Planning Department will continue to conduct semi-annual surveys to determine the citywide rental vacancy rate (every six months to 1991).

4. Land and Service Availability 4.(a) The Planning Department will advise the City Council of the opportunity for land purchase, or other form of acquisition, in order to implement policy No.10. Lands acquired by the city will be given first priority consideration for the development of below market-rate housing. Nonprofit housing development corporations and the Housing Authority of Santa Cruz County will be notified of such opportunity purchases as they occur. This activity is ongoing to 1991.

Reference to Policy 1 & 9 4.(b) The Planning and Community Development staff will complete the suitability evaluation of second and third story spaces above downtown commercial establishments. The objective of this analysis will be to implement the intent of Policy No. 9 for the inclusion of residential uses mixed with commercial services within the central service area. The focus of this evaluation will be the planning and economic suitability for the creation of efficiency sized units (studio and one bedroom) for the occupancy of adults and senior citizens. (March 1988)

Reference to Policy (all) + (goal) 4.(c) As part of the general plan update program, the city Planning and Community Development staff will conduct an extensive investigation of the spacial relationships and land use consequences of urban development policies from the present to the year 2005. (September 1987)

Reference to Policy 8,11,13 4.(d) The Planning Department, in cooperation with the Public Works Department, will plan, schedule, and budget for the annual improvement and extension of public services to facilitate residential

construction as well as maintenance projects to upgrade the urban environment of lower income neighborhoods. This annual activity will take into consideration the objectives of the Watsonville Housing Improvement Program (WHIP) so that private investment in rehabilitation areas will be stimulated by the initial public sector investment (ongoing to 1991 with annual review).

5. Housing 5.(a) One of the great strengths of the
Type and Watsonville housing stock is its wide
Quality variety of type. The policy to maintain

Reference to this variety will be implemented by zoning
Policy 7,9 of lands at all allowable intensities of

 use permitted by the general plan land use
 element, amendment to the zoning
ordinance to implement the policy for the provision of
secondary housing units on lots presently used for single-
family occupancy, and by enforcement of Ordinance No. 529-81
to permit and regulate the placement of manufactured housing
on R-1, single-family lots. The 5-year objective of these
action programs is to provide for a combination of small units
and manufactured units (ongoing to 1991).
- 5.(b) Health, safety and zoning code
Reference to enforcement activities will be
Policy 8,12,15 conducted throughout the effective

 period of this housing element. The
city will enforce the provisions of Ordinance 623-83 to
prevent the payment of rents on buildings that are held in
dangerous living conditions (ongoing to 1991).
6. Energy 6.(a) This policy will be implemented as part of
Conservation the WHIP program, and by the issuance of

Reference to building permits for new solar hot water
Policy 6,8 systems. Energy saving improvements such

 as caulking, insulation and weatherstrip-
 ping will be included as part of the
process to correct construction deficiencies and unsafe living
conditions (ongoing to 1991).
- 6.(b) The Planning Department will incorporate
Reference to energy efficiency as a required design
Policy 6 review criteria for proposed residential

 development projects. Site orientation
for the efficient use of passive solar systems will be
emphasized (ongoing to 1991).
7. Equal 7.(a) Complaints of discrimination in
Access housing choice will be referred

Reference to to the Office of Fair Employment and
Policy 15 Housing for the State of California.

 The city will continue to support
 equal opportunity lending programs
and to certify that non-discriminatory practices will be
followed in the selection of residents for participation in
the Watsonville Housing Improvement Program (ongoing to 1991).

Reference to
Policy 15

7.(b) The city will continue to cooperate with private and public programs to provide emergency housing services for the homeless. This activity is ongoing.

Reference to
Policy 15

7.(c) To promote equal housing opportunity for households headed by women with children, the city will continue to participate with the Watsonville Board of Realtors and the Community Housing Resource Board. This activity is ongoing to 1991.

8. Planning
Administration

Reference to
Policy 9

8.(a) The Planning Department will review and evaluate current residential development standards to ensure consistency between general plan objectives and permitted intensity of use provided for under current zoning designations. This activity will be carried out as part of the General Plan update process (July 1987).

Reference to
Policy 14

8.(b) The Planning Department will continue to communicate with federal, state, and local housing officials in order to monitor the availability of housing assistance programs and participation in tax-exempt mortgage revenue financing for the development of moderate cost housing and the preservation of historic structures (ongoing to 1991).

Reference to
Policy 11,12

8.(c) The Planning Department will continue past efforts to facilitate the residential development review and approval process. The permit process will be aided by the use of computer data storage of land use information. Development fees will be evaluated to ensure consistency with city costs of providing planning services, and for the potential of creating financial incentives to promote moderate cost housing production (ongoing to 1991).

Reference to
Policy 12

8.(d) The Planning Department will prepare planned development regulations for inclusion in the zoning ordinance. These regulations and guidelines will be created to promote economical and efficient land use, creative site design, sensitivity to environmental conditions, and energy conservation (July 1986).

D. Review and Evaluation

As an adopted element of the Watsonville general plan, this housing element will serve as a guide to the protection of existing housing quality, the rehabilitation of substandard housing, and the development of new housing opportunities. To ensure progress towards stated objectives and consistency with the other elements of the general plan, an annual review and evaluation will be conducted by the Planning staff. This review will be part of the annual general plan review process. The findings and observations of the staff will be presented to the Planning Commission. Immediately upon the availability of the 1990 census, a major update of the housing element will take place.

The annual review and evaluation process will focus on:

1. The extent to which quantified objectives are being achieved.
2. Consistency of housing policies with other general plan objectives for community development.
3. Consistency of capital improvement public works projects with the policies and programs of the housing element.

GLOSSARY OF TERMS

AFFORDABILITY: monthly payments for housing that do not exceed 25 to 30 percent of the gross monthly income of the householder.

ARTICLE 34: That section of the California constitution requiring a referendum of the local electorate (with a simple majority approval) before a state or local agency can acquire, develop or construct a low income housing project.

ASSISTED HOUSING: a subsidized housing unit made available to a household with low and/or moderate income.

ASSOCIATION OF MONTEREY BAY AREA GOVERNMENTS (AMBAG): a council of governments covering Santa Cruz and Monterey Counties. AMBAG, under provisions of Section 65302 of the California Government Code, has been assigned the responsibility for estimating regional housing needs for the Monterey Bay Area and to allocate a share of the estimated need for housing to each city and county. The Watsonville housing element has taken into consideration its portion of the expected regional need.

AUXILIARY HOUSING: a studio or one-bedroom unit allowed as a second unit in single-family residential zones.

AVERAGE (MEAN) HOUSEHOLD SIZE: the count of all persons living in year-round housing units divided by the count of all occupied housing units (households). In Watsonville the average household size for April 1, 1980, was computed to be 2.83 persons per unit.

BLIGHT: a condition of site, structure or other aspect of housing or a neighborhood that may cause nearby buildings or areas to decline in attractiveness, utility, or market value.

CALIFORNIA DEPT. OF HOUSING & COMMUNITY DEVELOPMENT (HCD): an agency of the State, having responsibility for the review of local housing elements for adequacy and for administration of the federally funded Community Development Block Grant Program (CDBG).

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA): a state law requiring state and local agencies to regulate activities with consideration for environmental protection. If a proposed activity may have an adverse environmental impact, an Environmental Impact Report (EIR) must be prepared.

CALIFORNIA HOUSING FINANCE AGENCY (CHFA): a state agency established by the Housing and Home Finance Act of 1975, which is authorized to sell revenue bonds to generate funds for the development, rehabilitation, and conservation of low and moderate income housing. Housing developed with CHFA financing is usually referred to as "assisted housing".

CAPITAL IMPROVEMENTS PROGRAM: a program composed of a one-year budget and five-year program of capital projects. A capital project is generally a physical or public work of large size, fixed nature, long life (10 years or more), and costing in excess of \$3,000. Examples are streets, fire stations, and sewer lines. CDBG funds may be used for capital improvement projects when there is some direct benefit to lower income households (i.e. street improvements in a low income neighborhood to create a "suitable environment").

CIVILIAN LABOR FORCE: employed and unemployed civilians, 16 years old or older. This excludes persons doing volunteer work. Unemployed persons must be looking for work and available to take work if offered to be included.

COASTAL ZONE: An area of varying width extending from the Pacific Ocean. Under the 1976 California Coastal Act, cities in the coastal zone must prepare and adopt local coastal plans and zoning ordinances. The housing needs of persons living in the Watsonville Coastal Zone have been taken into consideration in this housing element.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG): A federal grant program administered by the US Department of Housing and Urban Development and the State Department of Housing and Community Development. This program allots money to cities and counties for housing and community development. Jurisdictions set their own program priorities within specified criteria. Watsonville participates in this program as a means to implement policies for housing conservation.

DECENNIAL CENSUS: a federal data collection program occurring every ten years in years ending in "zero". The analysis contained in this housing element is based on data gathered in 1980. The next revision will be based on data gathered in 1990.

DISABILITY: presence (at the time of the census) of a physical, mental, or other health condition which has lasted 6 or more months and which limits or prevents the type or amount of work a person can do.

ELDERLY: a person or householder 65 years old or older. Elderly is synonymous with senior citizen. There were 3,821 elderly persons in Watsonville at the time of the 1980 census.

FAMILY: two or more related persons by birth, marriage or adoption, living together as one household. A person maintaining a household alone or with other unrelated persons is classified as a household but not as a family. Of the 8,172 households in Watsonville as of 1980, 5864 (72%) are counted as families.

FAMILY INCOME IN 1979: total cash income received in calendar year 1979 by all family members 15 years old or older. Family income differs from household income by excluding income received by household members not related to the householder.

FEMALE-HEADED HOUSEHOLD: a term from the 1970 census used to describe a family household with one or more children under the age of 18, a mother present but no spouse present. For 1980, the term female-householder is synonymous with "female-headed household".

GOAL: a statement of desired future conditions. Housing goals are worked towards by implementation of policies and the five-year housing program. A goal is not fixed in time or by quantity.

GRANNY HOUSING: a term used when auxillary units on lots used for single family homes are used for occupancy by senior citizens.

GROUP QUARTERS: housing for persons who are not members of households. The most common types of group quarters consists of persons living in institutions, rooming houses, military barracks, college dormitories, fraternity or sorority houses, convents, missions, and ships.

HISPANIC: All persons self-identified as Mexican, Puerto Rican, Cuban, or other Spanish (Central and South America, except Brazil). Hispanic is an ethnic category not a race.

HOUSEHOLD: the count of all occupied year-round housing units by one or more persons. If the housing unit is occupied by two or more related persons, the household is referred to as a family-household. The concept of "households" is very important because it is the formation of new households by both existing and new population that generates the need for additional housing units. One new household formed creates the need for one additional housing unit. Household formation and, therefore, housing demand continues to take place even when no numerical increase in population occurs.

HOUSING AUTHORITY: a public corporation established at the local level to carry out the objectives of the Housing Authorities Law of California. The Housing Authority of the County of Santa Cruz also acts as the housing authority for the City of Watsonville. It can use public funds to acquire land and build new publicly owned housing. It can also use public funds to lease new or existing privately-owned housing.

HOUSING ELEMENT: one of seven state mandated planning documents which make up the General Plan. This document is the housing element for the General Plan of Watsonville.

HOUSING MARKET AREA: as used in this element, the term market area refers to the County of Santa Cruz. As used in the AMBAG regional Housing Needs Report, the term market area refers to both Monterey and Santa Cruz Counties.

After meeting a minimum standard, housing needs become housing desires. The need for "adequate" housing would include a housing unit that protects the occupant from the elements, is free from life endangering structural defects, is not overcrowded, is equipped with normal bathroom and kitchen facilities, has direct access from outside or through a common hall, is served by basic utility services (heat, light, water, waste disposal) and is reachable by health and safety services such as fire, police and ambulance in time of emergency.

HOUSING SPECULATION: buying or selling housing primarily to reap profits from inflation rather than to use a residence to meet one's housing needs.

HOUSING UNIT: the place of permanent or customary abode of a person. It includes a single-family dwelling, multifamily dwelling, condominium, modular home, mobile home, cooperative housing project, and any other residential unit considered real property under state law. The term housing unit, as used in this element, corresponds to the US census count of "year-round" housing units. Any temporary dwelling used only on an occasional basis is excluded from the count of housing units. Individual rooms used for transient occupancy are not counted as year-round housing units.

INCOME: the total (gross) cash income received by a household, family or individual in calendar year 1979. The money can be from wages, social security, or public assistance, but does not include the in-kind cash value of some assistance such as food stamps. Withdrawal of savings is not counted as income, but social security payments are counted.

INDUSTRY: the kind of business activity an employed person was involved with during the last week of March, 1980. Industry as used in this element corresponds to the US Standard Industrial Classification System (SIC).

JOURNEY TO WORK: the principal means of travel by type of conveyance used (mode) or by location of place of work compared to place of residence (commuting). Journey to work is tabulated only for those employed persons that, during the reference week, actually worked. If the worker was ill or on vacation, they were not tabulated.

KITCHEN: a room in a housing unit with an installed sink served by piped water, a range or cookstove (excluding portable cooking equipment) and a mechanical refrigerator (excluding ice boxes).

LABOR FORCE: persons 16 years or older that are on full-time active duty in the military, are employed civilians or are unemployed civilians who are looking for work and are capable of accepting a job offer. Persons 16 or older that do not meet this

description or who are doing volunteer work for no pay are counted as being "not in the labor force".

LAND-BANKING: a program where a local government buys land for resale at a later date for development of low and moderate income housing. Public acquisition prevents alternative use and maintains the land cost at non-speculative levels. Community Development funds may be used for land-banking.

LARGE HOUSEHOLD: a housing unit occupied by five or more persons.

LOW INCOME HOUSEHOLD: a household whose income did not exceed 80 percent of the median household income of the Standard Metropolitan Statistical Area (Santa Cruz County), as of 1979.

MARKET RATE HOUSING: Housing available to families of moderate income.

MODERATE INCOME HOUSEHOLD: all households tht have reported 1979 cash incomes that are more than 80% of the median income level for Santa Cruz County, but not more than 120% of the county median income level.

MULTIPLE HOUSING UNITS: the count of year-round housing units that are found within structures containing two or more units. The smallest multiple housing unit would be a duplex structure containing two year-round housing units. Individual rooms in a group-quarters facility are not counted as multiple units.

NEEDING REHABILITATION: a housing unit that by virtue of a number of conditions that are in "need of repair" should be physically repaired so as to protect and improve the health, safety and well-being of the occupants. The count of housing units needing rehabilitation is not available from the census but has been estimated for use in the CDBG program.

OBJECTIVE: a target that is feasible to achieve within a specified period of time. As used in this housing element, an objective is a future condition that can be measured by both quantity and time (e.g. It is the objective of the Watsonville housing assistance program to rehabilitate 125 housing units over a five-year period).

OVERCROWDING: a measurement of over-utilization of a housing unit. That point at which the number of occupants of a housing unit exceeds the number of rooms within the housing units after subtraction of rooms normally used as bathrooms and kitchens. e.g. A housing unit with one bathroom, one kitchen, one bedroom and one living room would be classified as "overcrowded" when occupied by three or more persons.

OWNER-OCCUPIED: a housing unit that is paid for or is being purchased by the householder. All units not counted as owner-occupied are considered to be renter-occupied.

POLICY: a written commitment to a stated objective or condition identified in the housing element. Actions and/or decisions made by the legislative body will be in accordance with policies unless new information can justify an exception. The policy statements contained within this housing element are a commitment to action on the part of the legislative body.

POPULATION IN HOUSEHOLDS: the count of all persons living in year-round housing units as a usual place of residence as of April 1, 1980. This count excludes any persons living in group quarters and persons staying in temporary lodgings such as hotel rooms and campgrounds. Total population less group quarters population is equal to population in households.

POVERTY STATUS: a classification given to persons or families when their total 1979 income fell below the income cutoff level or "threshold". This threshold level is established annually by the US Department of Agriculture. For 1979, the poverty thresholds were \$3,774 for one person and \$5,787 for a family of three.

PROGRAM: an action or ongoing activity carried out in response to an adopted housing policy.

PUBLIC HOUSING: housing units owned by an agency (e.g., Santa Cruz County Housing Authority) which are rented to low and moderate income persons.

RACE: in the 1980 Census, all persons were asked to identify themselves according to the following race categories: White, Black or Negro, American Indian, Eskimo, Aleut, Japanese, Chinese, Filipino, Korean, Asian Indian, Vietnamese, Hawaiian, Guamanian, Samoan, and Other. The "Other" category includes Malayan, Polynesian, Thai, and other groups not included in the specific categories listed on the questionnaire. Persons of Spanish origin can be self-identified under any race category. Comparisons of race data between 1970 and 1980 are not recommended.

REDLINING: The conscious decision of a lending institution to identify declining neighborhoods (e.g., draw a red line around them) and restrict or refuse mortgage loans to those areas. This has not been a documented practice in Watsonville.

RENTER-OCCUPIED HOUSING UNIT: All occupied units which are not classified as owner-occupied are classified as renter-occupied. Renter status is assigned even if the tenant reported is paying no cash rent.

SECOND HOME: a dwelling purchased primarily for recreational or speculative purposes. Second homes are often called "homes held for occasional use". In the market area, nearly 3,000 units are held for occasional use, but only 20 units were given this classification in Watsonville.

SECTION 8 RENTAL ASSISTANCE (HUD): a rent subsidy program which is the main source of federal housing assistance for low-income persons. The program operates by providing "housing assistance payments" to owners, developers, and public housing agencies to make up the difference between the "Fair Market Rent" of a unit (set by HUD) and the tenant's contribution toward the rent which is calculated at 30% of their adjusted gross income. The program is administered by the Housing Authority of the County of Santa Cruz.

SECTION (202) (HUD): a program which provides direct federal loans at below-market interest rates to nonprofit sponsors for the construction or substantial rehabilitation of rental housing for the elderly and handicapped.

SECTION 235 HUD: a program which provides interest reduction payments in order to lower the housing costs of lower income families attempting homeownership or membership in a cooperative association operating a housing project.

SECTION 312 (HUD): a program which provides direct 3% HUD loans to eligible homeowners residing in local government neighborhood preservation areas. Loans are for rehabilitation meeting the objectives of local plans and code compliance.

SENIOR CITIZEN: all persons reporting to be 65 years old or older on census day, April 1, 1980. Because persons 65 or older are not generally in the labor force, they are often referred to as the retirement age population.

SPANISH ORIGIN: See Hispanic.

TENURE: the classification of all occupied housing units as either owner-occupied or renter-occupied.

UNITS IN STRUCTURE: the number of housing units in the structure in which the unit is located. The number of units in structure includes all housing units whether occupied or vacant.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD): the branch of the Federal Government which administers housing and development programs such as Section 8 and CDBG.

VACANT HOUSING UNIT: a housing unit unoccupied at the time of the census enumeration. Vacant units under construction, units being

used for nonresidential purposes, and units unfit for human habitation, condemned, or scheduled for demolition were excluded from the housing inventory.

VACANCY RATE: an indicator of the availability of housing. All vacant year-round units are counted as the gross vacancy rate while vacant units that are being offered for sale or for rent are referred to as the effective vacancy rate.

VERY LOW INCOME HOUSEHOLD: a household whose income does not exceed 50% of the median household income of the Standard Metropolitan Statistical Area (SMSA). Some very low income households are also poverty level households.

WINDSHIELD SURVEY: A survey of a neighborhood's housing condition by walking or driving through the area and evaluating each housing unit. Most often used to determine the number of housing units that are in need of repair or rehabilitation.

YEAR-ROUND HOUSING UNITS: all occupied units plus vacant units intended for year-round use. Almost all data on housing characteristics are limited to year-round housing units. Vacant units held for seasonal use or migratory labor are excluded because it is difficult to obtain reliable information for them. Counts of the total housing inventory include both year-round and seasonal units.

